Austria	Sch. 15	Indonesia	Rp 2500	Portugal	Esc 65
Bahrain	Din 0.650	Italy	L 1100	S. Arabia	Rls 6.00
Belgium	BFr 35	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.50	Jordan	Fils 500	Spain	Pta 95
Cyprus	Mils 600	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.00	Lebanon	£L 6.00	Sweden	Skr 6.50
Egypt	£E1.00	Luxembourg	LFr 35	Switzerland	SwFr 2
Finland	Fmk 5.50	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 5.50	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.00	Morocco	Dh 6.00	Turkey	L 160
Greece	Dr 60	Netherlands	Fl 2.25	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.50
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,130 Tuesday September 27 1983 D 8523 B

IMF sees spirit of Bretton Woods vanish, Page 4

NEWS SUMMARY

GENERAL

Britain to probe IRA jailbreak

The British Government ordered an immediate inquiry into the breakout by 38 Provisional IRA men at the Maze prison, Belfast. It is to be headed by Sir James Hennessy, Chief Inspector of Prisons.

The Rev Ian Paisley, a Northern Ireland MP, said the terms of the inquiry were not broad enough.

Among the 21 still at large, including men convicted for killing, is Gerard Kelly, jailed for life for his part in a London bombing campaign 10 years ago. **Background to the escape. Page 11**

Australia II wins America's Cup

Australia II triumphed over the defending American yacht Liberty to win the America's Cup, breaking the 132-year defence of the trophy by the U.S.

Using its revolutionary winged keel configuration designed by Mr Ben Lexcen, Australia II exploited errors made by Liberty, which had been leading by almost one minute in the early stages.

Bremen sit-in to end

Workers who have occupied the Weser shipyard, Bremen, for more than a week in protest against its planned closure, decided to end their action.

Rumasa court move

Madrid court declared former Rumasa group president Jose Ruiz Mateos and two associates in contempt for failing to appear on fraud charges. He is believed to be in London and extradition moves may be made. **Page 2**

Bhutto widow's call

Mrs Nusrat Bhutto, widow of the executed former Premier Zulfikar Ali Bhutto, called on Pakistan's army to oust President Mohammed Zia ul-Haq and set a date for free elections. **Democracy and Pakistan, Page 3**

Missile protest

About a dozen peace protesters were injured at the Comiso, Sicily, air base which is to house cruise missiles. Police who used tear gas, made four arrests. **Page 2**

Pravda party plea

Pravda, the Soviet Communist Party newspaper, called for more careful checks on applicants for party membership, pointing out that 14,000 had been rejected or not accepted for full membership in the first six months of this year.

Swiss keep waste

Switzerland has dropped plans to dump nuclear waste in the Atlantic this year because Britain's seamen's union has refused to crew a British ship to dump it. The waste will stay at Swiss power stations and the reactor research institute.

Unita attacks

Unita, the Angola opposition movement, said its guerrillas had killed 137 government troops and 47 Cubans in four days of attacks, and had shot down a MiG aircraft and a helicopter and destroyed 57 army vehicles.

Briefly . . .

Floods covered Leningrad streets, and cut off Lae, Papua-New Guinea's second city.

Philippines army moved in extra tanks and 1,800 more troops to help control Manila, the capital.

Ex-King Leopold III of Belgium, who abdicated in 1951, died in Brussels, aged 81.

BUSINESS

British current account surplus

● **BRITAIN'S balance of payments moved back into a modest surplus of £22m ($33m) in August, following its £199m deficit in July, which followed a £412m surplus in June. Page 18**

● **DOLLAR eased on the larger than expected fall in the U.S. M1 money supply, and reached DM 2.6445 (DM 2.657), FFr 8.0175 (FFr 8.04), SwFr 2.1425 (SwFr 2.15) and Y237.7 (Y239.9). Its Bank of England trade-weighted index fell from Friday's 128 to 127.4. In New York, it closed at DM 2.645, SwFr 2.141, FFr 8.0175 and Y238.07. Page 37**

● **STERLING rose 29 points to $1.504, but eased to DM 3.98 (DM 3.9925), FFr 12.055 (FFr 12.0725), SwFr 3.225 (SwFr 3.23) and Y357.75 (Y360.5). Its weighting fell from 84.7 to 84.6. In New York it closed at $1.5035. Page 37**

● **GOLD rose $2.5 in London to $415.625. In Frankfurt it closed $2.5 up at $413, and in Zurich it rose $2.625 to $413. The New York September Comex settlement price was $415.10 against $416.50. Page 36**

● **LONDON: FT Industrial Ordinary index fell 44.4 to 702.5. Government securities showed some small gains. Report, FT Share Information Service, Pages 31–33**

● **WALL STREET: Dow Jones index closed 5.18 up at 1,260.77, a new record. Pages 28–30**

● **TOKYO: Nikkei Dow index put on 31.78 at 9,345.78, and the Stock Exchange index was 2.81 up at 690.47. Report, Page 27. Leading prices, other exchanges, Page 30**

● **FRANCE**, Britain and West Germany are agreed on bringing the 150-seat Airbus A-320, a $2bn project, into service by 1988, said French Transport Minister Charles Fiterman. **Page 2**

● **POLISH** Government is to back resumption of work on 452 projects shelved in 1980-81 economies, a decision involving 158bn zlotys ($1.65bn) spending over the next few years. **Page 2**

● **ISRAEL'S** foreign debt increased 2.5 per cent in first half 1983 to a record $21.5bn. Its trade deficit increased by 21 per cent in the first eight months, from 1982, to $2.45bn. **Page 3**

● **FRANCE**, leading overseas customer for British coal, is to cut purchases by 400,000 tonnes worth £15.2m ($22.8m). **Page 11**

● **LEAD** prices surged ahead in London, reaching their highest since April. Cash lead closed £9.5 up at £291.75 ($438.79). **Page 36**

● **JAPAN** is providing Indonesia with $337m in soft loans for 13 development projects, including two power plants.

● **COCA-COLA** of U.S., which moved into the wine business in 1977, is to sell Wine Spectrum, third largest producer and marketer of wines in the U.S., to the Seagram group for more than $200m. **Page 18**

● **TOTAL CHINE** of France has suspended its oil drilling operations in the South China Sea, a joint venture with China, because of high costs and the fall in oil prices. **Page 3**

● **MOULINEX**, the French kitchen equipment maker, doubled first-half net profits to FFr 56.1m ($7m), but restructuring in the U.S. hit its 1982 figures. **Page 19**

● **SAATCHI & SAATCHI**, biggest UK advertising agency, is to offer 4.83m shares, currently worth £25.4m ($38.1m) on the U.S. market. **Page 18**

● **SOCIÉTÉ GÉNÉRALE**, Belgium's industrial and financial group, is seeking BFr 8bn ($150m), in its first call on the capital markets for eight years. **Page 19**

New funds call as IMF compromises on lending limits

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN WASHINGTON

The International Monetary Fund yesterday told the leading industrial countries that it might need extra loans of up to $6bn in 1985–86. This followed a tense agreement early yesterday morning in Washington about increased limits to the maximum assistance which the Fund can provide.

A compromise was reached allowing countries to borrow 102 per cent of their quotas – the funds they commit to the IMF – down from the current 150 per cent, with an access limit of 125 per cent for countries with "serious" problems.

Japan and the main countries of Europe have made clear, however, at the Fund's annual conference here that final agreement on their contribution to a $6bn loan for next year will depend on the willingness of the U.S. to put up substantial extra credit for Brazil, although the U.S. has pleaded that it would be difficult to get this through Congress.

In a series of meetings in the run-up to the main conference, which starts today, European countries have told Mr Donald Regan, the U.S. Treasury Secretary, that they cannot accept perpetual excuses that his hands are tied by Congress.

They have told him that the U.S. must provide substantially more than the $1.5bn new credit that Washington is so far considering for Brazil.

The unexpected agreement on new access limits was forged on the basis of a British compromise. That followed resolute refusal by the U.S. to accept any formula that might give additional assistance to debtor countries even though their quota subscriptions to the Fund are due to rise by about half in January.

The U.S. position implied that the maximum assistance in one year should be 102 per cent of the increased quota, compared with the present 150 per cent.

All the other industrial countries argued, however, that continuing debt problems in the Third World demand that the maximum assistance should be raised by about a fifth. They wanted the limit to be 125 per cent of the new quota.

The compromise enables Mr Regan to announce some sort of victory to congressional lobbies.

This 125 per cent rider effectively gives the IMF's executive board the authority to increase help to large debtor nations with serious rescheduling crises as well as to some smaller countries in dire straits.

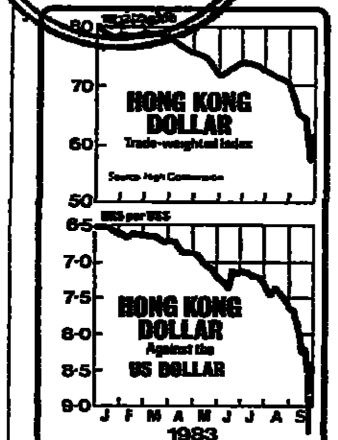
The Fund's executive board still has to work out the criteria for this enlarged assistance which would involve increased help of 500 per cent of quota over a three-year period, compared with the present 450 per cent of a smaller quota.

The IMF's estimate of its future borrowing needs is based on the assumption that these new rules will be continued after 1984, although agreement yesterday was restricted to that year.

It also assumes that Congress will shortly approve the 50 per cent increase in quota subscriptions to the Fund and an extension of the General Arrangements to Borrow, to provide a separate source of

Continued on Page 18

Spirit of Bretton Woods takes flight, Page 4; Editorial comment, Page 16



HK$ up as banks raise prime

By Robert Cottrell in Hong Kong

THE HONG KONG dollar strengthened yesterday amid confusion over government plans to support the local exchange rate. Local banks helped the push for a stronger dollar by raising their prime lending rate 3 percentage points to 16 per cent.

The interest-rate rise, coupled with speculation over the Government's intentions, helped the dollar to close at around HK$8.40 to the U.S.$ after a day of erratic and widely fluctuating trading.

The dollar's surge yesterday recovered Saturday's sharp decline as concern over the future of the territory, mounted. On Saturday, the local currency had slumped from HK$8.80 to HK$9.50.

After a weekend of meetings between senior officials, the Government announced on Sunday night that a proposal was being "actively developed" to strengthen the Hong Kong dollar.

The statement said the currency had suffered "unwarranted depreciation," which most analysts attribute largely to political concern over Hong Kong's future.

On its trade-weighted index, the Hong Kong dollar gained 4.8 points yesterday to close at 62 (December 1979 = 100). On Saturday, it fell 5.5

Continued on Page 18

Mrs Margaret Thatcher, the UK Prime Minister, has selected Sir Percy Cradock, Britain's current ambassador to China, as her new foreign policy adviser, emphasising concern over negotiations on the future of Hong Kong. Details, Page 18; Stock markets, Page 27; Currencies, Page 37; Lex, Page 18.

Reagan offers new package on missiles

BY REGINALD DALE, U. S. EDITOR, IN NEW YORK

PRESIDENT Ronald Reagan yesterday formally announced "a package of steps" intended to show U.S. willingness to reach an early agreement with Moscow in the Geneva negotiations on intermediate-range nuclear missiles in Europe.

In a major speech to the UN, in which he continually stressed his peaceful intentions, Mr Reagan said that the door to an agreement was open. "It is time for the Soviet Union to walk through it," he said.

Mr Reagan put forward what U.S. officials described as three important concessions in the arms talks. These were:

● A commitment not to offset the entire Soviet worldwide intermediate range missile deployment – in Europe and Asia – through U.S. deployments in Europe;

● Acceptance of the "Soviet desire" that nuclear-capable medium-range aircraft be limited as well as missiles;

● An "appropriate" reduction in the number of ballistic Pershing 2 missiles planned for deployment in Europe from the end of this year, alongside cuts in the number of cruise missiles.

Mr Reagan stressed that he was still convinced that the best solution remained his original "zero option" proposal, involving a complete ban on the intermediate range weapons by both sides. The latest proposals constituted "substantial adjustments" in the U.S. negotiating position to facilitate an interim agreement on the way to that goal, the White House said.

Mr Reagan emphasised that the new American position had been based on full consultations with the U.S.'s Nato allies and Japan and has their full backing. The White House simultaneously released a report from Nato's Special Consultative Group announcing the "strong support" of the allies.

Senior Administration officials said that the U.S. was continuing to explore totals of 50 to 450 warheads for the intermediate range missiles on either side. This would mean "substantial reductions" from the current Soviet total of about 1,200 warheads overall in both Europe and Asia, they said.

As an example, they said, if the Soviet Union agreed to a worldwide total of 300 warheads, the U.S. might deploy, say, 200 in Europe, while reserving the right to position the extra 100 "somewhere else."

In fact, however, the U.S. has never considered deploying the missiles anywhere other than in Europe, and Soviet negotiators in Geneva have already dismissed the latest U.S. offer as a false concession. Moscow has said that the Asian missiles are irrelevant to the balance in Europe.

U.S. to delay new spending cut plans

BY ANATOLE KALETSKY IN WASHINGTON

THE REAGAN Administration has "put on temporary hold," until after next year's presidential election, all further plans for major public spending cuts, tax reforms and controversial deregulation initiatives.

The Office of Management and Budget has been told not to press for spending cuts in next year's budget beyond proposals already contained in the budget presented to Congress this year, according to White House officials who have just begun preparing the first draft of the new budget.

The Task Force on Regulatory Relief, which was set up by President Ronald Reagan to coordinate the abolition of regulations covering many parts of the U.S. economy, has meanwhile gone into long-term recess. The President's lobbyists on Capitol Hill have also put into abeyance their attempts to push revisions of trucking laws and the Clean Air Act through Congress.

The marked change of emphasis in the Administration's legislative priorities will emerge in the 1985 budget, which President Reagan will submit to Congress in January (the 1985 fiscal year begins in October 1984).

This budget is unlikely to propose any significant new actions to curb federal deficits, since President Reagan is determined to maintain his defence build-up and the White House political staff believe it is essential to avoid any social spending

Continued on Page 18

Fifty years of legislation threatened, Page 4

Ceasefire in Lebanon appears to be holding

BY PATRICK COCKBURN IN BEIRUT

THE CEASEFIRE in Lebanon appeared to be holding last night, ending the three-week war in the mountains to the southeast of Beirut.

To clear the way for a new administration, Mr Chafik Wazzan, the Prime Minister, has resigned, but President Amin Gemayel has asked him to stay on in a caretaker capacity until he sees what emerges from the national reconciliation meeting of Lebanese political leaders which is to take place once the ceasefire is seen to be working.

There is little confidence in Beirut that any conference will be able to bridge the gap between the different factions in Lebanon, but widespread relief that the fighting has ended.

The ceasefire is to be policed by 500 observers from the United Nations, possibly drawing some of their members from the French and Italian contingents to the multinational peacekeeping force in and around the Lebanese capital.

The breakthrough in the negotiations came when it was decided that the Lebanese Government would send a representative to the conciliation conference in Jeddah. The conference's decisions are to be mandatory.

It seems clear that Syria and its Druze allies had decided they were unlikely to extract any more concessions from the Government. The U.S. naval bombardment in defence of Souq al-Gharb, the embattled hilltop town nine miles south-east of Beirut, showed that Washington was not prepared to see President Gemayel overthrown by military force.

Some of Souq al-Gharb's inhabitants came back to see what was left of their houses just after the ceasefire started yesterday morning and seemed pleased to find quite a number of them intact. The streets are still filled with soldiers, resting after the last three weeks fighting. They said there was no shelling but a few snipers were active.

The streets of Beirut were also much busier, with a return to the capital's notorious traffic jams. But getting back to normality will be delayed by the shortage of electricity and frequent power cuts.

A critical issue likely to emerge at the national conciliation talks will be the future of the Lebanese-Israeli agreement, drafted in May after prolonged negotiations and the intervention of Mr George Shultz, the U.S. Secretary of State.

Syria wants the agreement completely abrogated and most Lebanese consider that it is now a dead letter.

● In Kuwait, Mr Walid Jumblatt, the Lebanese Druze leader, called in an interview for the cancellation of the 1943 national convention defining Lebanon's government structure.

He told the Arabic-language newspaper Al-Ra'I Al-Am that a new formula should be drawn up giving no privileges to any community at the expense of another.

BP issue raises £542m as UK institutions bid too low

BY DOMINIC LAWSON IN LONDON

THE BRITISH Government will raise £542.5m ($814m) net of expenses on its sale by tender of 130m shares of British Petroleum.

The shares were allocated yesterday at a striking price of 435p per share, against a minimum tender price of 405p. The striking price was higher than most estimates by London analysts, and many British institutional investors appear to have pitched their bids too low.

The dealings in the partly-paid shares opened trading yesterday on the London Stock Exchange at 212p, a 12p premium on the £2 payable on application, and rose to 220p before falling back to close at 206p. Existing BP shares closed 2p higher at 438p. The balance on the new shares is due on January 11.

One broker involved in the issue said yesterday: "Several big institutions have not got a single share out of this and they are not best pleased." Even those institutions that were successful were allotted on average only two thirds of their applications.

That was largely because those small investors who applied for not more than 1,000 shares at whatever the striking price turned out to be were allotted their shares in full.

The small investor went for the BP offer far more than for any previous government offering. A total of 72,870 striking-price applications were received for more than 39m shares. That was a much higher figure than expected and means that more than 30 per cent of the issue is in the hands of small investors, even excluding those who tendered at a specific price.

In total, 171.45m shares were applied for at or above the 435p striking price. The Bank of England has not disclosed the total level of demand, but it is believed that the full number of shares applied for was about 350m, suggesting that £700m chased the issue.

There was little razzmatazz on the floor of the exchange when dealings started, and, in contrast with first-day dealings in previous BP offerings, there was not an oilman's-style hard hat to be seen.

Lex, Page 18; stock market reaction, Page 31

CONTENTS

EUROPEAN NEWS

Soviet fast footwork paid off in pipeline talks

BY LESLIE COLITT IN BERLIN

THE SOVIET UNION reaped considerable advantages from Western companies in the negotiations for the recently completed Siberian natural gas pipeline by skilfully playing one against the other, according to a leading participant. Herr Axel Lebahn, until recently, head of the Deutsche Bank's representative office in Moscow, also said that French and Italian taxpayers ultimately footed the bill to subsidise low rates of interest offered by French and Italian banks.

Herr Lebahn has given an insider's account of the negotiations in the current issue of the West German foreign affairs publication, *Aussenpolitik*.

He said that Moscow's negotiating teams which dealt with Western exporters, banks and gas importers remained the same throughout. As a rule they first visited the West German partner then made the rounds of interested parties in Italy, France, and other European countries and Japan. In this way, he noted, the negotiations were conducted "in series and step-by-step" with the competing countries and companies.

This enabled a Soviet delegation to present the lowest Western bid for any part of a contract almost simultaneously to all Western competitors "as the most the Soviet Union could possibly consider," Herr Lebahn explained.

As the talks progressed, he said, Moscow "skilfully played the various countries off against each other", while at a later stage of negotiating it even suceeded in winning the best tems from a growing number of competitors in each Western country.

"As the lowest bid for any part of a contract was automatically relayed to Western competitors they successfully underbid each other," Herr Lebahn said.

He added that, according to Soviet officials, Western exporters over the years of negotiations were forced to cut their originally quoted prices "by up to 60 per cent."

Herr Lebahn said Moscow succeeded, in the case of Western export financing for the Urengoi gas pipeline, to make the cheapest credit terms binding for all bidders. The most favourable terms, he said, were offered by France which agreed to provide credit for all French exports at an interest rate of not more than 7.8 per cent.

"As a result, the Russians demanded this rate from all other foreign banks and were granted it by all parties," he said.

The Soviet Union, he claimed, succeeded in having more than half the cost of French and Italian exports and credit facilities for the pipeline "paid by taxpayers" in the two countries. This made the overall cost to Moscow "extraordinarily low."

West German banks, which did not receive such government aid, had to insist that West German exporters pay the difference between the terms negotiated and the actual cost of refinancing. He said this meant they often had to insist on such high prices that West German companies, which were favoured to gain the lion's share of the business, obtained only a fraction of the $4bn in contracts for the pipeline.

West German local polls confound forecasts

BY JONATHAN CARR IN BONN

WEST GERMAN voters confounded the prophets and baffled the analysts in Sunday's regional elections—the first since the general election in March.

In the city state of Bremen the pundits had predicted that the ruling Social Democrat Party (SPD) would take a hard knock. The city has more than its fair share of problem industries like steel, shipbuilding and fishing. It has an unemployment rate of nearly 14 per cent and one of the highest per capita debt levels in the country.

What happens? The SPD is swept back to power with 51.4 per cent of the vote, its best result in a Bremen parliamentary election for 12 years.

In the state of Hesse one thing was felt by the experts to be certain. If the liberal Free Democrats (FDP) could struggle over the minimum 5 per cent needed to win parliamentary seats, then a centre-right coalition with the Christian Democrats (CDU) would emerge.

Wrong again. The FDP surpassed even its own fondest hopes, jumping from the 3.1 per cent it gained in last September's Hesse election to 7.6 per cent this time.

The CDU's support, however, plunged so sharply (from 45.6 per cent to 39.4 per cent) that the two parties still do not have a majority of Hesse parliamentary seats. The SPD picked up more votes than before (46.2 per cent against 42.8 per cent) but it has no majority either. Nor does it have an obvious coalition partner. That implies that the SPD will continue to provide a minority government as it has for the past year.

The results are seen by some analysts to show growing voter distaste for Chancellor Helmut Kohl's centre-right Government in Bonn, because of its efforts to cut spending and its firm support for Nato's nuclear missiles policy.

No doubt both elements helped the SPD a bit in both Bremen and Hesse. But while Herr Kohl's CDU plummeted in Hesse, it scored its second best ever result in Bremen (33.3 per cent against 31.9 per cent in 1979). On the other hand, the FDP which did as well in Hess was crushed in Bremen.

The probable answer is that, while national issues like unemployment and nuclear missiles played a big role in the campaigns, local factors proved decisive on polling day.

The SPD mayor of Bremen, Herr Hans Koschnick, is a local man born and bred who has held office for 16 years. Jobless demonstrators shouted angrily at him during public meetings before the election, but many voted for him all the same. They evidently feel they are the victim of wider problems for which Herr Koschnick is not really to blame—and which no one else available stands a better chance of solving.

In Hesse, the widely-popular CDU leader, Herr Walter Wellmann, made a tactical error in the campaign. He said repeatedly that he felt a vote for the FDP was as good as a vote for him. A lot of potential CDU supporters took him at his word and gave their votes to the liberals, expecting a centre-right coalition to emerge anyway.

Shift to Right in French Senate elections

BY DAVID HOUSEGO IN PARIS

THE CONTINUING rightward shift in French public opinion was confirmed yesterday when the opposition scored substantial successes in elections to the French Upper House or Senate.

Together, the opposition parties made net gains of 12 seats, while the Left gained only one. A third of the members of the Senate were up for re-election but 13 new seats had been added to take account of demographic changes. The Senate is elected by indirect vote and thus the results heavily reflected oppositions gains in the municipal and cantonal elections over the past 18 months.

The neo-Gaullist RPR of M Jaques Chirac won eight additional seats, as did the pro-Giscard d'Estaing UDF. Losses on the Right were among the smaller political groups.

On the Left, the Socialists gained two seats and the Communists maintained their position in the Senate. But the Socialists had several nasty shocks none the less.

In the Isere, the opposition parties gained all four Senate seats whereas the Left had previously held a majority in the department. In the northern industrial region of the Pas-de-Calais, the Left saw its share of the vote drop from 46.8 per cent in 1974 — the last time the same Senate seats were up for re-election — to 34 per cent. In the department of the Nord, the bastion of M Pierre Mauroy, the Prime Minister, it again lost its majority of the seats in the senate.

The election is likely to be followed by a small Cabinet shuffle as M Roger Quillot, Minister for Housing, and M Francois Autun, Secretary of State at the Ministry of Defence, both won Senate seats.

The Senate poll also means that there will be two by-elections to the National Assembly providing a critical test of the Government's popularity.

A further lesson being drawn from the results is that they are likely to confirm President Mitterrand in his belief that a shift to proportional voting would be more advantageous to the Left in legislative elections in 1986.

New Airbus will be in service by 1988, says France

BY DAVID MARSH IN PARIS

THE FRENCH Transport Minister, M Charles Fiterman, said yesterday that France, West Germany and Britain were agreed on bringing into service by 1988 the planned new European airliner, the 150-seater Airbus A-320.

Although no formal decision on launching the project has yet been made, he told a news conference that the period up to the end of the year should be "decisive" in giving the go-ahead.

The French Government has consistently shown greater enthusiasm than its European partners for backing the $2bn A-320 project during long-standing discussions over enlarging the range of Airbus airliners.

M Fiterman's optimism about the A-320 entering service by 1988 contrasts with the feeling among many airlines and rival aircraft builders, such as Boeing and McDonnell Douglas, that 1989 or 1990 would be a more realistic date.

However, M Fiterman, the leading Communist minister in the Government, said yesterday that discussions over the summer with the other European transport ministers involved in the Airbus consortium had pointed to a "growing interest" in the A-320. He denied that there were any differences over the 1988 starting date.

During yesterday's news conference, in which M Fiterman spelled out the main themes of the Transport Ministry's 1984 budgetary plans, it was revealed that France is allocating FFr 400m (£33m) in spending authorisations next year to back the A-320 project.

Budgetary sums are normally advanced by governments for Airbus research development and production to be paid back later by Airbus Industrie out of the proceeds from aircraft sales. The consortium had already started to repay grants previously made to support the first generaion A-300 class of airliners, M Fiterman said.

He also used the occasion to support proposals for a trans-European high-speed train and to defend the productivity record of the French national railways SNCF.

SNCF has just been given the go-ahead for work to start next year on a high-speed rail link between Paris and the Atlantic coast to supplement the highly successful existing service to Lyons.

European railway equipment makers for some time have been discussing ideas for a high speed train link, modelled on French technology, between Paris, Lille, Brussels, Cologne and possibly Amsterdam and, later still, London.

Brazil frees key P-2 man sought by Italy

By Rupert Cornwell in Rome

THE EFFORTS of the Italian authorities to unravel the scandals of the P-2 freemasons lodge and Banco Ambrosiano appear to have received a severe setback with the release in Brazil, after only a few hours detention, of Sig Umberto Ortolani. He was a key figure in the now outlawed clandestine lodge.

Sig Ortolani is widely held here to be at least as important in the structure of the P-2 as Sig Licio Gelli, the lodge's grandmaster, who escaped from prison in Geneva on August 10, barely a week before he was due to be extradited to Italy in connection with the Ambrosiano affair.

Like Sig Gelli, he was being sought by Interpol after magistrates in Milan issued an international warrant against him last June on charges of involvement in the fraudulent bankruptcy of Ambrosiano. The bank collapsed in summer 1982 with debts of around $1.3bn.

After months of patient search, the Italian police finally traced Sig Ortolani to Sao Paolo. On Sunday, he was arrested by the Brazilian federal police and interrogated for several hours.

Hopes that he might be extradited swiftly back to Italy were dashed, however, when he was released on the grounds that he was a Brazilian citizen of some 20 years' standing and faced no criminal charges in that country.

It is understood that Sig Ortolani, who has extensive banking, property and publishing interests in Latin America, carries not only passports of Brazil and his native Italy, but also a Paraguayan one.

Sig Ortolani, who is generally credited here with influential contacts inside the Vatican, is alleged to have played a central role in the complicated dealings between Rizzoli, Italy's largest publishing group, and Ambrosiano, whose former chairman, Sig Roberto Calvi, was found hanged in London on June 18 1982.

Among the dealings now being probed by Milan magistrates is the mysterious transfer of $143m—still unrecovered—from Latin American subsidiaries of Banco Ambrosiano in April 1981. This was at about the time that La Centrale, the financial subsidiary of Ambrosiano, announced it was taking a 40 per cent stake in Rizzoli, thus making public the control long since exerted behind the scenes at Rizzoli by Ambrosiano and the P-2.

Finns plan to borrow FM 10.69bn

By Lance Keyworth in Helsinki

FINLAND WILL need to raise FM 10.69bn (£1.24bn) in new long-term loans in order to balance next year's FM 84.48bn (£9.84bn) budget. This borrowing is usually split between roughly equally between domestic and foreign sources.

The budget total is 14 per cent above this year's. Mr Kalevi Sorsa, the Prime Minister, and Mr Ahti Pekkala, the Finance Minister, both stressed that it depended on nominal wage increases of at the most 8 per cent for the period beginning next April when the present labour contracts run out.

The same plea was made last year, but earnings have risen by about 10 per cent. Since an inflation rate of 8 per cent is forecast next year this would mean no real growth in incomes. The unions have already made clear they will not accept this.

They feel that, inflation excepted, the economy has been performing remarkably well by OECD standards. Revised figures issued recently indicate a 2.5 per cent growth of total output in 1982 and 1983, and 3 per cent is predicted for 1984. Even unemployment is expected to fall below 6 per cent.

There is concern about the growing state debt. It will rise next year to FM 42.5bn, 14.6 per cent of GDP. Debt management costs will also begin to exceed the public sector borrowing requirement in 1984.

The budget adds some FM 700m to industry's direct costs in the form of social security charges, higher energy taxes and the introduction of turnover tax on telecommunications bills.

Sweden's GDP rises 10% in volume

By David Brown in Stockholm

SWEDEN'S gross domestic product increased in volume by 1 per cent in the first half of this year compared with the same period a year earlier, Statistics Sweden reported yesterday.

The increased activity was attributed exclusively to export market developments. Exports of goods and services grew by 9.7 per cent during the period.

At the same time, private consumption declined "more than expected," by 2.8 per cent. Industrial investments dropped by 10.5 per cent, with extensive over-capacity problems. Real wages were down by 3 per cent.

Hungarian attack

The Hungarian dissident, Mr Gabor Demszky, co-publisher of an underground magazine critical of the Communist Government, is reportedly in hospital as a result of a severe police beating, AP reports from Vienna. Four policemen dragged him out of his car, threw him to the ground and beat him with rubber truncheons, dissidents claimed.

Election protest

About 2,000 protested in Almere near Amsterdam against the election of two members of the Dutch neo-Fascist Centrum Party to the local council, Simon Geschwindt reports from Utrecht.

Poles to resume work on 452 shelved projects

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Government is to support resumption of work on 452 investment projects shelved in 1981. But this could further strain planned targets designed to keep capital spending low while the economy recovers.

The decision follows the recommendations of a top level official committee which reviewed 957 projects, all started during the investment boom of the 1970s. The boom came grinding to a halt when Western credits ran dry and popular unrest forced the authorities to cut back on investment and concentrate on trying to maintain consumption levels.

This year's planned investment spending of Zl 780bn (£5.2bn) is expected to equal 10 per cent of national income, compared with the peak in 1978, when investment took 30 per cent at comparable prices.

The latest decision means additional spending of Zl 158bn over the next few years, 40 per cent of the sum financed by the companies themselves aided by tax relief, 40 per cent from bank credits and 20 per cent in direct government grants.

At one time last year some 1,600 projects were shelved, although the companies themselves decided to resume work on some without government support. But the latest decisions still leave around 850 projects on ice.

In these cases companies unable to find government support or bank credits for development are to be encouraged to sell off capital equipment and buildings already installed. At the end of last year the value of machinery imported from the West and lying idle as a result of decisions to stop investments was put at $80m. Purchasing bids for equipment from foreign buyers as well as Polish companies are being encouraged.

Efforts to persuade Comecon countries and Western companies to invest in shelved projects have failed. All that has transpired until now are talks with the Soviet Union on four projects in the steel industry, and the Czechs have agreed to contribute to a light bulb works at Pila.

Ruiz Mateos is declared in contempt of court

BY DAVID WHITE IN MADRID

THE CHAIRMAN of Spain's Rumasa holding empire until its expropriation by the Government last February, found himself in still deeper legal water in his home country yesterday. Sr Jose Maria Ruiz-Mateos and two former senior colleagues were declared in contempt of court for failing to testify in reply to charges against them.

The Spanish authorities may now initiate extradition proceedings against Sr Ruiz-Mateos, who has been staying in London, despite the absence of a standard extradition agreement between the two countries.

The move, announced by Judge Luis Lerga, who is in charge of the case, follows detention orders sent out in July and the failure of the three men to appear within a 10-day deadline set last month. One of the three, Sr Carlos Quintas, had been granted bail of Pta 10m (£43,600).

All were ordered to pay enormous deposits— Pta 100bn (£436m) in the case of Sr Ruiz-Mateos and the other executives, Sr Jose Diaz Hidalgo—to cover "financial responsibilities" arising out of the alleged irregularities at Rumasa.

At the beginning of this month, the court began moves to confiscate properties in Sr Ruiz-Mateos's personal posession in Spain, in lieu of the deposit money.

E. Berlin currency move

BY JAMES BUCHAN IN BONN

THE BONN Government expects East Germany to announce today its first concrete response to West German financial assistance granted during the summer.

However, the centre-right coalition Government confirmed yesterday that it was expecting nothing more dramatic from East Berlin than the exclusion of children from East German rules on exchanging hard currency.

Since 1980, visitors have had to change DM 7.50 (£1.86) per child per day and DM 25 per adult.

The East German move will be in response to the Bonn Government's guarantee for a DM 1bn loan to East Berlin in June. But West German spokesmen made clear the gesture was seen as inadequate.

Police charge peace protest at cruise base

By James Buxton in Rome

ABOUT A dozen peace protestors were injured yesterday when Italian police charged a demonstration at the gates of the Comiso air force station in Sicily where a cruise missile base is being built.

In the most serious incident at the site so far, police used tear gas and made four charges to clear the gates of the base, in order to allow construction workers and U.S. Air Force personnel to enter.

Among those hurt was a female member of Parliament from the Left-wing Democratic Party for Proletarian Unity, who suffered bruises.

The demonstrators came from a peace camp with about 1,000 participants from all over Europe which has been established outside the base, near Ragusa in south-east Sicily. The protestors plan further demonstrations before the camp is disbanded next week.

Police first used water cannon, then tried to remove the demonstrators bodily, before resorting to baton charges and the use of tear gas.

Sig Bettino Craxi, the Italian Prime Minister, said in Bonn last Friday that Italy would go ahead with installing 112 cruise missiles at Comiso from the end of this year, unless there was a significant new development in the Geneva talks.

If cruise deployment goes ahead it will not be until early April when the first flight of missiles from Comiso will be operational.

Italy has the weakest protest movement in Europe against the new Nato nuclear missiles.

Norway increases oil and gas estimates

BY FAY GJESTER IN OSLO

NORWAY HAS raised by nearly 50 per cent its estimate of proven recoverable oil and gas reserves on its southern continental shelf, following very encouraging results from several wells drilled during the summer.

The new figure is 3.8bn tonnes of oil equivalent (toe)—1.2bn toe up on earlier estimates. It comprises 60 per cent gas and 40 per cent oil, and corresponds to 76 years' output at the current rate of about 50m toe a year. Particularly high flows were obtained from wells on the giant Troll gas field, confirming earlier assumptions about the field's size.

Total recoverable reserves on the shelf south of the 62nd parallel — including those regarded as likely, but not proven—are now estimated at around 5bn toe, compared with 4.7bn toe previously.

The shelf north of the parallel—some 15 times as large as the southern shelf—is also believed to contain extensive oil and gas reserves. But the Norwegian Oil Directorate has not yet published estimates for this section of the shelf, only a few small parts of which have so far been explored.

Meanwhile, the Directorate has revealed that new licence awards will aim at locating new oil fields rather than new gas fields, since Norway already has more gas than oil discoveries ripe for development. Moreover, it appears—at least in the short-term—that it will be more difficult to get good prices for gas than for oil.

A Directorate spokesman said that the 40 new blocks (licence areas) being offered in the current eighth licensing round had been chosen with this in mind. Oil company applications for eighth round licences are due on October 15.

● The Norwegian state oil corporation Statoil is to increase the price of its crude from the Statfjord field by up to 50 U.S. cents per barrel from October 1, a corporation spokesman said, Reuter reports from Stavanger.

The move will raise the price of Statfjord crude to an average $29.80 a barrel.

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Israeli ministers split over burden of U.S. loans

BY DAVID LENNON IN TEL AVIV

A ROW is developing in the Israeli Treasury and Defence Ministry over the division of U.S. aid which this year will exceed \$2.6bn (£1.7bn).

The burden of repaying the accumulated repayable portion of the aid is expected to approach \$1bn next year and has the Treasury deeply worried. In an attempt to prevent this burden becoming insupportable in the coming years, the Treasury has indicated a willingness to demand less aid next year, if the grant proportion of the total is increased.

The Defence Ministry is concerned that this might mean a cut in the military aid element of the package while the economic aid portion is increased. This will mean that less money is directly available to the Defence Ministry.

The U.S. aid package to Israel for 1983-84 is comprised of \$1.7bn in military assistance, of which about half is a grant, and the rest loans, and \$910m in economic aid which is wholly a grant.

Teams of officials from the Israeli Treasury and Defence Ministry are already in Washington for discussions with U.S. officials on the aid for 1984-85. The treasury officials are concerned that the U.S. may seek to cut \$200m from next year's allocation, in order to bring home to Israel the need to curtail the profligate spending of the government.

Mr George Shultz, the U.S. Secretary of State, has been among the sharpest Administration's critics of Israel's economic policies. He is reported to have told Israeli officials in Washington in July that Israel must adopt a policy of economic restraint if it hopes to head towards economic recovery.

Because 1984 is an election year in the U.S., Jerusalem is not expecting many problems with its aid request. But because Israel is worried about its ability to repay it is pressing for enlargement of the grant aid.

● Mr Yitzhak Shamir, Israel's would-be Prime Minister, held a preliminary meeting last night with Mr Shimon Peres, leader of the opposition Labour Party, to discuss the possibility of setting up a national unity government.

Despite this apparently promising development, the prospects for forming a coalition of the Right-wing and Left-wing parties is still considered remote by most members of both political camps.

ISRAEL'S foreign debt increased by a further 2.5 per cent in the first half of this year to reach a record \$21.5bn (£14.3bn). The increase was mainly in public sector debt. The proportion of short-term debts decreased, however, while that of medium- and long-term rose.

Israel will have to find next year nearly \$5.5bn for interest and capital payments. This is twice the amount of aid which Israel is asking from the U.S. in the U.S. fiscal year starting October, 1984.

China oil drilling suspended by Total

By Colina MacDougall and Anthony Robinson in Zhanjiang

TOTAL CHINE, the French operating company in the first offshore joint venture with China's National Offshore Oil Corporation (CNOOC) has suspended drilling operations in the south China Sea. Its drilling personnel and their families are preparing to leave China.

The French company moved its rig out over a month ago after completing 14 wells of which four struck oil. Both Total and CNOOC are separately evaluating the drilling results. Total is understood to be concerned at the high cost of the operation particularly following the fall in world oil prices since the contract was signed in 1980.

This has raised doubts about the commercial viability of developing the volume of oil found so far. Total is believed to be seeking a re-negotiation of the terms of its contract.

However, Mr Zhu Xiling, deputy managing director of Nanhai West Oil Corporation, the CNOOC operating company based in Zhanjiang, the main supply port for the area, told the Financial Times: "In my opinion nothing will be changed in this contract."

The contract was signed and approved by both sides and has legal validity. "China's legal framework is not yet completed, so if we make changes now without thoughtful consideration, the prestige of China might be affected," he added.

"Total has not yet expressed any desire to withdraw, and is not likely to until both sides have finished their independent evaluation. At that stage, both could change their minds, but on the other hand by then Total might be more interested in continuing."

Mr Zhu said that it was hard to say at this stage whether China would lose what he described as "a good partner" but emphasised that up till now Total had completely fulfilled its contract terms and had even drilled more wells than called for.

"We are optimistic about future oil prices. We believe they will rise again soon and so we consider that the terms and conditions of the Total contract are still reasonable," he added.

Total was the first to sign a contract for exploration in the South China Sea and did so on the basis of a "shared risk" contract with CNOOC. Subsequent deals were signed by BP, Shell and other oil majors on an all-risk basis. This makes the companies responsible for all exploration costs, while CNOOC retains the right of participating at the development stage.

Paul Betts adds from Paris: Total emphasised it was in no way abandoning its operations in China and indeed had acquired a new interest last month in the Pearl River prospect operated by Occidental Petroleum of the U.S.

Total is conducting studies on the South China Sea drilling which identified five oil-bearing structures. At this stage, however, the oil resources discovered to date appear to be high cost oil.

Total buys LNG, Page 5

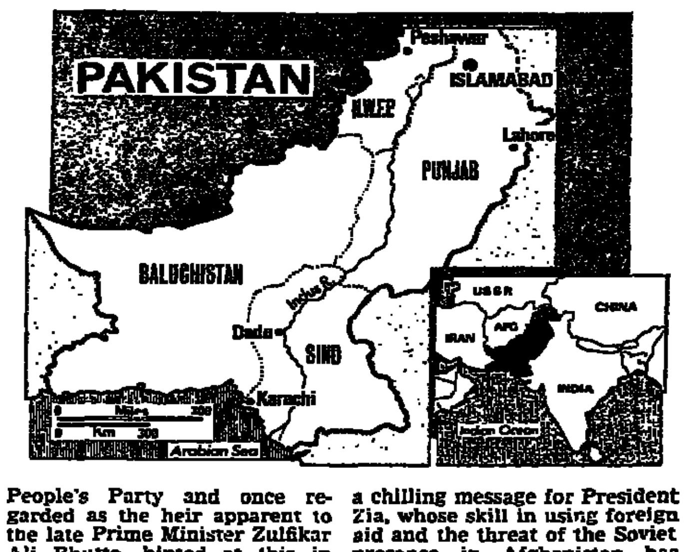
U.S. assures Peking over high technology

Mr Caspar Weinberger, the U.S. Defence Secretary, has told Chinese officials that most of the military-related technology China is seeking from the U.S. can be approved under guidelines reclassifying China as a "friendly" and "non-allied" nation, AP reports from Peking.

A U.S. official told reporters that the U.S. could not approve 32 more civilian high technology products with possible military use and 11 more could be approved with further study

For Pakistan, 'democracy may not be the solution'

BY ALAIN CASS, ASIA EDITOR



THE FIRST PHASE of the campaign to topple President Zia ul-Haq of Pakistan may be over. The next phase may prove less spectacular than the past month but, in the longer run, much more dangerous.

Although street protests and civil disobedience, in which people offer themselves for arrest and flogging in the Ghandian manner, continue the signs are that these weapons may have been blunted by the regime's firm response.

The country's motley collection of opposition leaders must now decide whether to continue with the present course or adopt new tactics in which sabotage and the ever-present threat of secession in Pakistan's smaller provinces are used to winkle General Zia out of power.

So far between 40 and 60 people have been killed in clashes with the police, depending on whose figures you believe, and several thousand protesters, including all of Pakistan's top politicians, are under arrest.

The campaign has been largely confined to the southern province of Sindh. It is now beginning to look as if getting the other three provinces to rise in revolt, is proving more difficult than was envisaged.

Nationalist sentiment however, as opposed to demands for a return to democracy — is coming increasingly to the fore. There are also signs of more acts of sabotage, such as the recent attack on the Khyber Mail train.

The scope for exploiting nationalist sentiment in the provinces of Sindh, Baluchistan and the North West Frontier is considerable. Carved out of India in 1947, Pakistan is a patchwork of four very different provinces where racial and regional aspirations are, arguably, still the most potent forces.

The history of Pakistan has been marked by a constant and frequently violent struggle for power between the three smaller provinces and the Punjab, which is not only the largest and most populous but also dominates the army and the bureaucracy in Islamabad.

Few people in the Punjab, therefore, would have an interest in upsetting the status quo. The same is not true of Baluchistan, Pakistan's vast and arid province where tribal leaders regard self-determination as far more important than the alien concept of parliamentary democracy.

"Democracy is no solution to the problem of the minorities in Pakistan," explained Mr Autallah Mengel, one of the three most influential Baluchi leaders who now lives in self-imposed exile in London. "The problem lies, for us, with the domination by the Punjab of the three other provinces. When that becomes the issue you can expect the Baluchis to rise."

The same is true probably of the wild North West Frontier province, which borders Afghanistan and which has been flooded with refugees

There are already signs that those opposition leaders still at liberty are beginning to turn to the more potent forces of secessionism.

Mr Mustafa Qar, a leading figure in the banned Pakistan People's Party and once regarded as the heir apparent to the late Prime Minister Zulfikar Ali Bhutto, hinted at this in London recently.

"The choice which now faces the army," he said in an interview "is between acceding to the demands for greater participation in running the country or facing sabotage, armed revolt and secessionism. The Punjab has become a thorn. Its domination of the rest of the country is deeply resented. This, along with the brutality of the army, against ordinary people has started a process of disintegration."

Behind the rhetoric there is a chilling message for President Zia, whose skill in using foreign aid and the threat of the Soviet presence in Afghanistan has helped him keep the country's fissiparous forces under control and stay in power.

President Zia appears to be riding the storm. But if the limited cry for democracy in Pakistan is replaced by shriller calls for secession in the Sindh, Baluchistan and the Frontier, President Zia may find to his cost that the U.S., his own supporters within the country, and his fellow generals will conclude that the integrity of Pakistan is more important than the fate of one man.

Leakey's voters dress up for the trip to the polls

RESIDENTS of the sprawling, tumbled down Nairobi constituency of Langata went to the polls yesterday along with millions of fellow Kenyans, in an atmosphere akin to a country fair, Michael Holman writes from Nairobi.

Men and women had taken a day off work—many Nairobi businesses closed for polling—and, dressed in their finery, paraded along the dusty and potholed lanes of Kibera suburb.

Despite isolated incidents around the country, yesterday's voting in the 153 constituencies being contested (five candidates were returned unopposed) went smoothly, and first results were expected late last night.

In Langata, roadside venders of roasted maize cobs and soft drinks did a brisk trade with passersby, cobblers fixed shoes, and charcoal was sold by the bundle. These are the sore of jobs Langata residents find for themselves, in a precarious existence between the salaried jobs found in the city and stark unemployment.

But in one respect Langata is special. The sitting MP, contesting the seat once more, is a white Kenyan, Mr Philip Leakey, who won it in 1979 with a 2,000 majority.

If election posters are anything to go by, he is home and dry. The constituency seems plastered with them, providing the incongruous spectacle for Africa of a white politician's face on a shanty hut.

Mr Leakey, a fluent Swahili speaker, is renowned for his entertaining campaign speeches with a sometimes earthy style which appeals to the crowds. His election symbol is a key and residents greeted visitors yesterday with a wrist-turning gesture of a key in a lock, or wagging an index finger in the air, declaring "Leakey juu" (up with Leakey) and beaming broadly.

The outcome will probably be close: his leading challenger is Mr Achieng Oneko, a former minister, who is expected to draw strong support from the Luo tribe in a mixed constituency which includes Kikuyus and Luhyas.

At the polling booths, the Leakey officials—easily identified by their emblazoned tee-shirts—were reasonably confident. "I think we'll make it," said one, his English complexion turning pink as the day advanced, "but I cannot be too sure—I don't speak Swahili."

Mubarak to press U.S. for greater volume of aid

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak of Egypt will press during his current trip to the U.S. for more economic and military assistance from the U.S. and greater flexibility in the way it is used.

He will also address the opening session of the United Nations general assembly when he will stress Egypt's support for world peace. He will take the opportunity, according to Cairo Press reports, to meet other non-aligned leaders, notably Mrs Indira Gandhi, Prime Minister of India.

President Mubarak's week long visit to the U.S. is his third since he took office two years ago. He will urge President Ronald Reagan and other politicians to give the U.S. a more prominent role in the Middle East.

The long standing bone of contention over aid is Egypt's desire for parity with Israel in the amount received and its terms.

In fiscal 1983 Egypt received \$1.36bn (£910m) in military assistance of which \$900m was a long-term loan at commercial interest rates, and the rest a grant. Egypt would like more to be a grant.

Under the military aid programme Egypt has received M-60 tanks, and F-16 fighters and armoured personnel carriers. In August Egypt signed a letter of agreement with Grumman for two E2-C Hawkeye early warning aircraft, the first of four it is hoping to buy.

On economic assistance, one of Mr Mubarak's ministers is expected to ratify an agreement passed by Congress on July 29 to release about \$100m of aid left over from projects that have been completed or are on hold. Egypt has been pressing for this kind of greater flexibility to try to clear some of the \$2.6bn of aid money that remains undisbursed out of a total of more than \$8bn allocated.

Progress on this issue will be hailed in Cairo as establishing a precedent in the way aid money can be reallocated to projects for which it was not originally earmarked

State Department trade chief quits in row over CoCom

BY STEWART FLEMING IN WASHINGTON

A DISPUTE between the U.S. State Department and Defence Department over the role of CoCom, the Paris-based export controls agency, has led to the resignation of Mr William Root, Director of the State Department's Office of East-West Trade.

Mr Root said yesterday that because of the Defence Department's stance on negotiations about controls on computer-controlled telecommunications switching equipment, he could see no way of reaching agreement with the allies of the U.S. on controlling exports of such equipment to the Soviet block, within the CoCom framework.

He had no doubt of the need to tighten up and revise definitions which CoCom uses in framing controls on such equipment. Current definitions, framed in the early 1970s, are lagging behind developments in a *fast-moving technology*, he suggested.

According to Mr Root, the Defence Department has been dragging its feet ahead of a planned CoCom meeting on October 17.

On September 14, a day *before the U.S.* was due to send its proposals to its CoCom partners, the Defence Department told the State Department that in its view the CoCom committee was not an adequate forum to negotiate the item, he claimed.

It had suggested, Mr Root went on, *that the negotiations* take place at a more senior level and that the U.S. should stick to its initial proposals, a position which Mr Root felt would limit the U.S. in its ability to gather support for its position.

Mr Root said yesterday: "*I* concluded that progress (in CoCom talks) was impossible," adding that in his view the Defence Department is seeking a separate military committee within CoCom.

A change in the Export *Administration Act to limit the* influence of the Defence Department on Cocom issues was desirable, he said.

The Act does give the Secretary of State the right to conduct negotiations in this area but requires the President to report to Congress if he overrules the Defence Department.

This gives the Defence Department too strong a position in relation to the other branches of Government, he maintained.

The Washington Post quoted Mr Richard Perle, Assistant Secretary of Defence for international security policy, as denying that the U.S. opposed working with its allies on co-ordinated export controls.

U.S. Steel's hopes fade on links with BSC

BY TERRY DODSWORTH IN NEW YORK

U.S. STEEL Corporation's *hopes of clinching a deal to* link its steel finishing facilities at Fairless, near Philadelphia, with slab produced by British Steel, are steadily diminishing.

According to Mr Thomas Graham, vice-chairman of U.S. Steel, the corporation now believes that its chance of an agreement to import the BSC slabs are less than 50-50.

Negotiations were still continuing over the plan, he added, but the group had agreed to meet the United Steelworkers Union and "consider alternatives."

The two steel companies had previously indicated that they wanted to reach an agreement before the end of this month. But the project has run into *vigorous opposition* from the steelworkers who claim that it will mean a long-term threat to U.S. jobs.

Under the proposals, BSC would sell about 3m tons of slab a year to U.S. Steel, while taking an equity stake in Fairless.

If the BSC deal falls through, Mr Graham indicated that the Fairless facilities could be phased out as part of its rationalisation and cost cutting programme.

The group has recently announced plans to reduce its staff by 4,000, and it is reviewing plans for further rationalisation at its Mon Valley plant, near Pittsburg.

Thatcher says Nato must deploy missiles

OTTAWA — Mrs Margaret Thatcher, the UK Prime Minister, said yesterday that the Nato Alliance does not want to deploy cruise and Pershing-2 missiles, but must go ahead unless the Soviet Union dismantles all its medium range SS-20 missiles, AP reports.

Mrs Thatcher, in Ottawa to meet Mr Pierre Trudeau, her Canadian counter part, said on television that the Soviet *Union had* "*upped the ante*" by installing modern new missiles targeted on Western Europe.

"We would like to spend less on armaments," she said. "We dont want to deploy the cruise and Pershings, but we have to unless *the SS-20s are taken* down, because the whole of our peace depends on Nato being a deterrent to the Soviet Union."

Mrs Thatcher said the Soviet downing of the Korean passenger aircraft — as well as what she called repression in Afghanistan, Poland, Czechoslovakia and Hungary over the years — are "all really indicative of a country which just does not have the same attitude towards the importance of the individual as we do."

Mrs Thatcher yesterday began a North American tour taking her to Washington and the United Nations.

Canadian officials said Mr Trudeau and Mrs Thatcher would probably "compare notes" on the anti-cruise *missile protests which each is* facing—in Britain against plans to begin deployment of the U.S. missiles this year, in Canada against an agreement to test the cruise delivery system in Northern Alberta.

Later, speaking to the Canadian Parliament, Mrs Thatcher called for a new "freedom offensive," in one of her strongest attacks yet on the Soviet system.

"The Western Democracies are not short of ideals. We have values and a way of life which are the envy of those who have never known them.

"I wonder whether we take them too much for granted. For the preservation of freedom and justice needs constant unremitting efforts.

"There is a battle of ideas to be won, a battle in which we are better equipped than our adversaries for our ideas are better.

Max Wilkinson reports on a worldly struggle over money in Washington

Mean-spirited twilight for IMF gods

The IMF's Washington cycle of jovial parties and acrimonious meetings this week was given a fitting accompaniment by the Public Broadcasting Service television network. It played "Twilight of the Gods" in controversial modern dress through the whole of the first evening.

The Wagner opera, complete with subliminal messages flashed among the subtitles, perfectly symbolised the decline of the generous spirit of internationalism that had prevailed since the foundation of the IMF and the World Bank at Bretton Woods in the last throes of World War II.

The heroic efforts of Keynes and his fellows to set a devastated world to rights were this week replaced by the all-too-immortal struggle of a U.S. Administration desperate to appease right-wing and penny-pinching lobbies in Congress.

All other nations rich and poor were drawn into the drama of whether Congress will approve the $8.4bn quota increase which the U.S. is still not authorised to pay. Not exactly a Nibelung hoard but just as vital to the fund in securing its power and influence in a debt-ridden world.

It was the efforts of Mr Donald Regan, the U.S. Treasury Secretary, to appear tough enough to make Congress feel mean that kept delegates waiting half an hour for the nearest thing to Valhalla which the banking world offers.

This is the lavish party for more than 2,000 delegates, aides and the hangers-on of of hangers-on, held in the cavernous recess of the Sheraton Hotel.

However, Mr Regan took so long lecturing the Fund's interim committee on the subject of mining gold out of Congress that hordes of bank*ers were kept penned into an* antechamber for about half an hour.

There, they held a sort of impromptu party without sustenance, able only to glance past the security men onto a long prospect of islands and bays, decked with every form of nectar.

Just like the underdeveloped countries queueing for aid in Washington, commented one black delegate.

This official knees-up, *attended by the tallest giants* in the financial world—from Mr Paul Volker, chairman of the Federal Reserve Board, downwards—was matched by private enterprise all over the city.

One big U.S. bank, for example, found a villa it liked in the exclusive Kalorama district, sent the owners to Italy for a week with $18,000 tucked into their wallets, and erected a marquee in the garden.

*But even the most influen*tial actors could not entirely bestride the world, with colossal dignity. Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who has been leading the industrial countries' attack on U.S. fiscal im*providence, was greeted at* Miami airport as "Chancellor of the Excesses."

Sir Terrence Burns, the UK Treasury's chief economic adviser, was stopped by a man at Heathrow who asked: "Will you be seeing a Mr Leigh-Pemberton?"

This was not the time for a Treasury knight to deny knowledge of the Governor of the Bank of England, so the hapless Sir Terrence is put in charged of a large number

INTERNATIONAL MONETARY FUND

Annual Meeting

of suitcases which the Bank *improvidently left on the tar*mac.

In spite of these alarms outside the main theatre, the British delegation once again proved to be maestros of the runes which enabled heated argument to be magicked into communiqués of perfect accord.

One talisman proved to be "horizontal facing down," which in the language of Middle Earth, means giving poor debtor countries less help in future.

But the loudest curtain call of this drama will probably go to the "Littler Compromise" named after the Treasury's top international adviser and draftsman.

This formula was finally accepted at a Wagnerian hour between midnight and dawn yesterday. It followed fierce disagreement about the new limit for assistance to be provided by the fund.

Most industrial countries wanted this to be 125 per cent of quota subscriptions, but Mr Reagan was forced to pretend to Congress that he had beaten them down to 102 per cent.

The genius of the Littler Compromise, surely in direct descent from Lewis Carroll, was to invite the nations of the world to agree both figures at once.

This they did, leaving it excellently obscure as to which countries could get 102 per cent and which 125 per cent.

This by no means minor detail will be left to the fund's executive board to decide, at a later date, when Congress has cooled down a bit and the audience of pressmen is a good deal smaller.

Mr Robin Leigh-Pemberton, Governor of the Bank of England (left), and Mr Nigel Lawson, Britain's Chancellor of the Exchequer, outside the IMF building in Washington. It is the first time that the men have attended the conference in their present roles

Warning on Third World debts

BY PETER MONTAGNON IN WASHINGTON

INTERNATIONAL bankers are much less nervous than they were a year ago about the developing countries' debt problem, but "there is still the risk of an accident," Mr Willard Butcher, chairman of Chase Manhattan Bank, warned yesterday.

Further progress on solving the problem depends heavily on the ability of the International Monetary Fund to participate fully in the rescue programme for the worst-hit countries, he *told the Financial Times in an* interview.

"The IMF provides a vehicle through which readjustment programmes can be established and if it doesn't have some financial muscle, its authority will be eroded," he said.

It would be unfortunate if Congressional refusal to ratify the U.S. share in its proposed quota increase meant that the financial system was "jumping overboard just as it was getting close to the shore."

Since last year's IMF meeting in Toronto, solutions have been forged for Mexico and Argentina—and "we are on the verge of a solution for Brazil," he said, "but we are not out of the woods—there are some lingering problems."

Mr Butcher said he was growing less hopeful that Congress would pass a quota increase. It had "grossly misunderstood" the IMF which was not an aid *agency and was also not in*volved in bailing out commercial banks with loans outstanding to debtor countries.

Whatever happens on the quota increase, the banks will have to put into Brazil "many times what the IMF puts in." The banking system could scrape by without additional IMF money but it would be a very unattractive solution, he said.

Mr Willard Butcher

Health, environment, welfare hit by Government cuts

Reagan brings bureaucracy to heel

BY NANCY DUNNE IN WASHINGTON

"I USED to fantasise what it would be like if everyone in Government would quietly slip away and close the doors and disappear. See how long it would take the people of this country to miss them. I think that life would go on, and the people would keep right on doing the things they are doing, and we would get along better than we think."

Thus spoke Ronald Reagan in 1979, and, as far as Congress would let him, he has been true to his oft-repeated campaign promise "to take government off the backs of the people." He has cut what he deems to be burdensome Government regulation and slashed federal programmes he feels could be better handled by state and local governments if they are needed at all.

Soup kitchens in Detroit

President Reagan has gone as far as Congress has allowed him in fulfilling his promise to 'take government off the backs of the people'. *If all his proposals* are adopted, some observers believe U.S. social and welfare policy will be back to where it was before the New Deal.

The result has been a wrenching upheaval within the federal Government and far-reaching changes in uolicies designed to *protect public health, upgrade* and preserve the environment and promote the welfare of the poor and minorities.

Because the Democratic-controlled Houes of Representatives opposes most of the federal Government pullback, the *President has wrested change* through budget cuts and administrative policy revisions. The thriving federal bureaucracy, which had propagated both necessary and inane regulations through 50 years of Government growth, has been largely brought to heel by conservative department heads, many of whom were appointed to dismember or dilute the programmes they head.

The budget cuts and shifts of responsibility to the states have produced "a counter-revolution," according to a report prepared by the Urban Institute, which said that the size and scope of the federal establishment has been reduced to roughly the level of the mid 1970s. The study concluded that if all the President's proposals are adopted, he could "restore economic policy and inter-Governmental relations to their status before the New Deal."

Most of the budget cuts have hit "human resources" programmes—those for the retired, disabled, poor and unemployed. Spending has been reduced by 7 per cent from what it would have been under laws existing at the beginning of 1981, according to a recent Congressional Budget Office study. Employment programmes, it says, have been reduced by almost 60 per cent. *Those who earn less than* $10,000 (£6,600) a year have lost most significantly in Government assistance.

The President has had his greatest successes where Congress cannot easily intervene. At the Labour Department, Secretary Raymond J. Donovan has appointed management-orientated consultants to top posts, where they have been rescinding, revising or postponing many work-related health and safety rules.

One of these appointees, Mr Thorne Auchter, head of the Occupational Safety and Health Administration, one of the agencies most despised by business, has reduced federal inspections of workplaces and weakened major occupational health standards. Like several *other Reagan regulators, he has* advanced a scheme to allow some companies to "self-inspect" their businesses.

Avowing its intention to reduce paperwork, the Labour Department has also backed away from "affirmative action" programmes designed by previous administrations to spur the hiring and promotion of women and minorities. The department announced that it will not rely on "the heavy-handed enforcement strategies of the past" but will seek the voluntary co-operation *of* industry—a tried and true method for producing little or no action.

The Interior Department, headed by the controversial James Watt, fervent proponent of land development, has been a bloody battle-ground *between* the Administration and Congress. Environmentalists, who mounted a decade-long crusade to clean up land and water and protect wilderness areas, have found themselves *portrayed* by Mr Watt as wild-eyed radicals who seek "centralised power in Washington

Mr Watt has given developers access to public lands through leasing programmes for coal and off-shore oil, while clashing with Congress, which has tried to force him to comply with the intent of environmental laws on the books. Leasing has continued despite findings by the General Accounting Office that some of the coal leases went for rock bottom prices to companies which had improper insider knowledge.

The Environmental Protection Agency has only begun to recover under Mr William D. Ruckelshouse from the scandal over its waste cleanup programme when the agency was headed by Mr Watt's protege, Mrs Ann Gorsach Burford.

Once one of the most efficient federal agencies, the EPA was hit severely by spending and staff cuts. Its entire direction shifted from environmental protection to reducing the burden *of environmental protection* laws on polluters.

Driven from office by Congressional fury over improprieties in the waste management programme, Mrs Burford claimed "We have compiled a solid record of achievement."

Predictably, it has been the unemployed and working poor who have suffered most from the effects of the government cuts. The food stamp programme for the poor has been drastically reduced, and the hungry have been sent to a proliferating number of soup kitchens and emergency telephone "hot line" agencies, which bring food to the desperate.

The Legal Services Corporation, which provides legal help for the poor, has also been *slashed. The Administration* tried to convince Congress to abolish the agency, but after failing in that attempt, the President appointed 10 conservative board members, many of whom had opposed the corporation in earlier court suits.

According to a study of 16 local legal service programmes by the American Civil Liberties Union, the number of lawyers in the programme was cut and 300 field offices were closed.

Thus far, the Reagan Admini*stration has been remarkably* adept in its handling of Congress and opposition bureaucrats. Occasionally, as in the case of the EPA, the Democrats are able to promote public outrage to the point that the President backs down, but *usually he manoeuvres skill*fully.

The President has been loyal to his promise to curtail domestic programmes. That he has done so has been to the misfortune of those who depend upon Federal resources.

TECHNOLOGY

EDITED BY ALAN CANE

The UK takes lead on sponsored films

Video & Film

BY JOHN CHITTOCK

THE OPPORTUNITIES for British industry to reach the public through moving pictures have been few and frustrating. In the salad days of the cinema, only exceptional sponsored films achieved circuit release, and the advertising shorts were usually geared — like TV commercials — to high spending budgets for very brief messages.

Editorial use of sponsored documentaries on television has been a goal achieved by the very fortunate on the rarest of occasions. In consequence, sponsors who have wanted to reach public audiences with any degree of certainty have depended principally on 16mm non-theatrical distribution — viz. to schools, women's institutes, clubs and other groups where film shows are held.

If the notion of a small audience sitting in a darkened church hall to watch a 16mm film seems primitive, the arrival of video has offered a cheaper, more flexible and modern alternative. But some of those whose business relies on the 16mm film — such as distributors and processing laboratories — vigorously claim that this medium of sponsorship is alive and doing very well.

Such claims do not square with all of the available evidence. Many producers whose livelihoods have been based on sponsored films complain of business being lost to newly-formed video companies (while others have added video to their capability). Yet perhaps the most revealing statistical evidence is to be found in entries for the British Industrial and Scientific Film Association's annual festival. The percentage of entries submitted on video (although perhaps shot on film) has climbed steadily from 3 per cent in 1979 to nearly 42 per cent in 1983.

It therefore seems curious that at the international industrial film and video congress, which last week was held in London, 110 of the 138 entries from 15 countries were on film (and of that, a surprisingly high proportion on 35mm). In conversations with various delegates, my earlier suspicions have been confirmed — Britain is probably leading the world in switching to video for distribution purposes.

Many well-known examples of this have been documented in this column over the last few years, such as the Mothercare video disc project for point-of-sale display, the AA's venture with Ford to produce videocassettes on motor car maintenance, and a number of sponsored videocassette programmes for direct sale to the public (eg. Pedigree Petfood's *All You Need to Know About Dogs)*.

One of the most ambitous sponsored video projects is about to be launched in UK. Peter Stuyvesant Travel (a subsidiary of Rothman) have put together a ski holiday promotion package which is based on a videocassette derived from a new Channel Four series about ski-ing and related to a ski teaching book about to be published by Collins.

> The growing availability of television to industry is now pushing moving pictures into the front line of marketing and corporate PR strategies.

A consortium of Goldcrest Television, Wm Collins and Peter Stuyvesant Travel have pooled their resources to finance a six-part television series—which Channel Four will show this winter; from this comes the re-edited 75 minute videocassette which PST will promote; and the Collins book—*How We Learned to Ski* (same title as the video programme)—which adds its own dimension to the package.

The Channel Four series will make no reference to such sensitive matters as names of sponsors (in this case, in fact, investors) but *will* refer to the existence of the videocassette with a telephone number from which it can be ordered (in fact, the number of Peter Stuyvesant Travel).

The videocassette is a competitive £16.95, the book £6.95, or the two £21.95. But anyone booking a Peter Stuyvesant winter holiday gets the cassette free. And, of course, there are appropriate promotional points in the very polished video programme which provides an introduction to ski-ing.

An exercise of this kind is moving the traditional concept of the 16mm sponsored film on to totally new ground. At last the audience size is substantial, identifiable, and reachable at a cost which is easier to justify.

Some distributors of conventional film are watching such developments carefully. For example, in Finland Oy Inforfilm is buying cable time and offering film sponsors segments interspersed with commercials. Other distributors are experimenting by placing videocassettes in bok lending libraries —such as Melbourne, where each free cassette is borrowed on average twice per month. Since the VCR penetration in Australia is only 15 per cent, it shows promise; would one book be borrowed twice monthly if only 15 per cent of the population were literate?

At last week's international industrial film and video congress, it was impossible to get a consensus view of this trend away from traditional 16mm distribution. Some cling vigorously to 16mm; whilst others—especially in UK and Scandinavia—now reckon that up to 80 per cent of their copies are circulated as videocassettes.

It makes economic sense. Such as for Rolls-Royce, who last week previewed a new schools film . . . *To Be an Engineer*. Aimed at arousing interest in engineering at a school level, Rolls-Royce are giving videocassette copies of this to every teaching centre in the country. That would be unthinkable with 16mm prints.

The growing availibility of television to industry—whether through video, cable TV or teleconferencing—is now pushing moving pictures into the front line of marketing and corporate PR strategies where once only the enterprising few regarded such media seriously.

British Petroleum have been for years one of those enterprising few, and last week demonstrated the whole box of tricks when the Prime Minister inagurated the Magnus oilfield. Mrs Thatcher (and a few hundred guests) was in London, others assembled in Aberdeen, and a handful of hardies on the oil platform north-east of the Shetlands. In one of the biggest exercises of its kind, satellite television linked all three—and in between times was screened a conventional film putting the entire Magnus project into perspective.

U.S. INTEREST GROWS IN HOME COMPUTER COMMUNICATIONS

The home workstation is on the line

BY LOUISE KEHOE IN CALIFORNIA

THE VIDEO - GAMES - BY - PHONE service announced jointly recently by U.S. telecommunications giant AT&T and Coleco, the consumer electronics company, marks the arrival of home computer communications.

The implications for consumers go well beyond the prospect of Pac-man on the phone bill. Once established, the games service could easily be expanded to include other types of computer programs, shopping, banking, security and information services. It might also distribute advertisements, and will almost certainly be used to gather detailed market research data for a wide variety of consumer products.

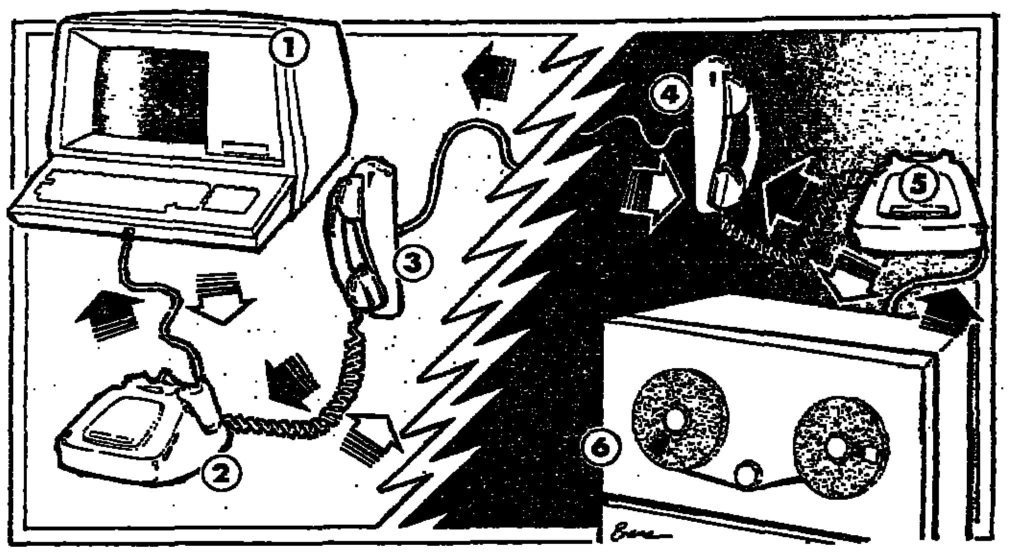
The combination of computer and telecommunications technology in the home has long been anticipated by industry visionaries as the key to "home of the future" technology. Most thought that the primary use of the technology would be to create home information services. Now, it seems that video games could provide the right combination to open up a wide range of new consumer services in the era of home computer communications.

"A new wave of telecommunications services for the home is about to emerge," according to Mr Mark Kriss, an industry researcher at the Boston Yankee Group. By Christmas 1985, services such as electronic software, distribution of video games, teleshopping and home banking will reach mass market status, he predicts.

"Twenty per cent of the projected 22m personal computer homes will be equipped with modems—the devices that hook up the computer to the telephone line—by 1985. In addition, 1.5m telephones with computer capabilities and built-in displays will be installed in U.S. homes by the end of the same year," he believes.

Advances in microchip technology that have reduced the cost of modems from over $300 a year ago to under $100 are expected to draw new subscribers to existing home computer services as well as to the new video game "channels."

"The customer does not care how the game software gets to him or her so long as it is cost effective and convenient," comments Mr Stuart A. Segal, vice-president of marketing at Control Video Corporation in Mclean, Virginia. CVC launched its game-by-phone service, called "Gameline," a month ago. Like the planned AT+T venture, Gameline uses telephone line communications. Consumers purchase a U.S.$60 master module that plugs into video game machines and then pay a U.S.$1 fee per game session.



Home computer communications is based on lining the computer (1) via the modem (3) to the telephone system (2). This converts the digital bleeps of the computer into tones which can be sent down the telephone line. A similar conversion takes place at the other end to the main computer which stores the games packages

"We aim to have 20,000 subscribers by year end," says Mr Segal. Although the AT+T/Coleco venture will compete directly with Gameline, Mr Segal welcomes the announcement. "It certainly legitimises everything that we have tried to do," he comments.

Not everyone is convinced that games by phone will be a success. The sceptics include cable television operators whose "wires" compete for traffic with those of the phone companies. Several cable television companies have experimented with video games as a means of attracting new revenues.

One such venture is Playcable, a joint effort between Mattel and General Instruments that was launched two years ago. The video game service is currently available on 20 cable systems in various parts of the U.S., but general manager, Mr Paul Hilt, admits that his product has not been an overwhelming success.

"We have had to overcome consumer resistance to having to spend *more* money on yet another 'box,'" he explains. In this case the "box" is a customised adaptor that links the video game machine to the cable.

Video game producers are not sure what to make of the by-phone services. "We are looking at it," said Atari's spokesman. "We hope that consumers will try out new games by phone and then buy their own copies," added Imagic, some of whose games are distributed on the Gameline system.

"Game makers have been receptive," says Gamelines' Mr Segal. "They get a royalty for each time a game is played, but more important, they can test market their products at very little cost," he explains. Gameline plans to preview new games and give game producers information on the success or otherwse of the game.

"Yes, it will kill a bad game, but the cost of bringing a new game to market is huge. The manufacturers need to know if they have a hit or a miss on their hands."

In the long term, however, electronic distribution of games and other home computer *software* could significantly change the structure of the consumer software industry. Some personal computer software publishers have already tried "downlands" software by phone, but most of the billion dollars worth of home computer software sold this year in the U.S. will be purchased in retail stores.

A major hurdle to be overcome by software publishers is how to prevent consumers making copies of the programs they receive over the phone. The sealed "read only memory" cartridges of video game machines make copying impractical for all but the most determined "pirates."

Coleco says that copying "is not seen as a problem" but will not reveal how they mean to prevent copying. "It is something that is not easily gotten around," says Mr Segal at Gameline which is currently considering expanding its services to suit home computers.

Micronet 800—the UK company which offers a similar service, will be reviewed in a subsequent article.

Offshore

Alaskan floating islands

A MOBILE island made from concrete is to be used as a drilling platform for oil off the coast of Alaska. Nippon Kokan KK (NKK) in co-operation with Mitsui, has won the contract to build the floating island.

It will be used for work in the frozen Beaufort Sea, off Alaska by GMDI, a subsidiary of Global Marine based in Texas.

The concrete island drilling system will measure more than 312 feet long and 295 feet wide and just short of 100 feet in height. This massive structure will weigh *something in the region of* 56,000 tonnes.

The plan is to build the island in three sections. The first will be a steel mud base to sit on the sea bed, the second a concrete structure to sit on the mud base and the final upper steel deck which will house the drilling equipment and living quarters.

The work is scheduled for completion next May. The structure will make use of a special low temperature steel developed by NKK which can be used at temperatures lower than −50 deg C.

The company says that compared with traditional gravel based islands, the mobile concrete platform is cheaper to instal and operate, survives the climate better and can be moved to other locations.

ELAINE WILLIAMS

NEI, India to hold talks over power station difficulties

By JOHN ELLIOTT IN NEW DELHI

TOP LEVEL talks are to be held in Britain next month to try to solve technical and procedural problems which have caused NEI (Northern Engineering Industries) to fall about three months behind schedule during the first year of its five-year £230m contract to build India's Rihand power station.

Mr A. K. Sah, chairman of India National Thermal Power Corporation (NTPC), is flying to London and Newcastle on October 5 for talks with NEI. Both corporations agree that prospects for completing the power station on time depend on major outstanding difficulties being resolved during this visit.

Neither Mr Sah nor senior executives of NEI who were in Delhi last week for an international energy conference, wants a formal confrontation at this stage, despite some sharp differences between their staffs.

For both organisations, the contract is a new experience. It has involved the NTPC giving NEI virtually a turnkey contract for complete power station subject to detailed and regular controls, instead of placing several individual contracts itself.

GEC and Babcock from the UK are acting as major subcontractors to NEI.

British government officials have played a key role in negotiations on the contract throughout the past year, and are now trying to help resolve the differences.

In the 12 months since the contract was signed, the two organisations have failed to agree on methods of vetting design specifications, manufacturing process, quality assurance and delivery schedules. There are still differences over the procedures to be followed, the levels in both organisations at which differences should be resolved, and the split of responsibilities between the NTPC, NEI and British Electricity International, part of the UK's Electricity Council which is acting as consultants.

The NTPC is asking for more information than NEI considers normal for such an international project. NEI is arguing that NTPC should worry less about details and accept its word that the contract will be completed by the June 1987 target date.

Because of the difficulties, various early parts of the work are up to three months or more behind schedule. The power station's main erection crane left the UK last month, several weeks late, and ordering of steelwork is two or three months behind schedule.

"It is not time yet to say the contract is going badly. It is not going badly," said Mr Sah at the weekend after meeting Sir Duncan McDonald, NEI chairman, and Mr Terry Harrison, managing director. "There have been difficulties but they are being sorted out. I feel the slippage of about three months can be made up."

In the past, India has usually built its power stations with World Bank aid and has obtained competitive international tenders for each stage of the contract. But shortage of funds, particularly rupees needed for local manufacturing, led it to place a single contract with NEI for the entire 2 x 500 MW station. By doing this it has only very small costs to face before the contract is completed because the package included £344m of ten-year export credits with repayment starting in 1988 and British aid of some £110m.

The contract was controversial, partly because of all the work being placed outside India. Several countries are watching the progress, hoping NEI performs well enough for India to consider placing further similar orders abroad in the future.

The U.S. is the latest of a number of countries expressing interest in obtaining orders for some large power station contracts in India such as Kahalgon in Bihar, Muradnagar near Delhi and Manguru in Andhra Pradesh.

At present the programme for some of the power stations has been slowed down because of rupee shortages and because India does not want to build excessive foreign debt for repayment in the 1990s. But the performance of NEI at Rihand is likely to have an impact on debates within the Indian Government about the wisdom of placing single contracts with foreign companies. It will also have a major impact on the reputation of British industry in India.

Italians to expand Saudi network

By Lance Keyworth in Helsinki

AN ITALIAN telecommunications group, led by the state-owned company Stet, has won a contract worth more than $800m for the expansion of the telecommunications network in Saudi Arabia.

Sirti, owned 50 per cent by the state holding company Iri and 30 per cent by Pirelli, Italy's leading cables maker, is to supply cables over a distance of 2,500 km and build 40 switching centres and other plants.

The contract was contested by other companies, including AT & T and ITT of the U.S.

Through its subsidiary company Sartelco, Sirti already has a contract for the maintenance of the Saudi long distance telecommunications network.

Part of the contract, linking Taif, the Saudi summer capital, and Mecca, the centre of Moslem pilgrimage, will be carried out using optical fibre cables. The entire contract is to be fulfilled in two years, with a one-year maintenance period.

Total to buy Australian LPG

ADELAIDE — Cooper Basin producers will supply Total International of France with up to 200,000 tonnes of liquefied petroleum gas (LPG) a year for up to five years, Santos Limited said.

Total and the Santos-led producers signed an agreement yesterday for the export of the LPG, expected to begin in mid-1984, Santos' general manager (South Australia), Mr John McKee said in a statement.
Reuter

SPEY MARK 807 TO BE USED IN TACTICAL JET FIGHTER

Rolls-Royce in Italy, Brazil engine accord

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has signed with the Italian Ministry of Defence an agreement worth potentially many millions of pounds for the manufacture and assembly of parts of the military Spey Mark 807 jet engine in Italy.

The engine will be used in the AM-X tactical fighter, now under joint development in Italy for the Italian and Brazilian air forces, with a total of about 265 aircraft envisaged, of which 185 will be for Italy and 80 for Brazil.

Initially, engine components will be made in the UK by Rolls-Royce, with licensed manufacture of parts by Fiat Aviazione and other nominated companies in Italy and Brazil. Assembly of the engine will be undertaken in Italy.

The first flight of the AM-X is set for 1984, with deliveries of production aircraft in 1987. Work on the aircraft is being undertaken in Italy by Aeritalia and Aermacchi, and in Brazil by Embraer.

The AM-X is a single-seat, single-engined tactical close air support and reconnaissance aircraft. Although primarily destined for the Italian and Brazilian air forces, both countries are hoping for substantial export contracts throughout the Third World.

The Rolls-Royce agreement was singled in London last week by representatives of the UK company and the Italian Ministry of Defence.

The engine involved is the Spey Mark 807, a non-reheated turbo-fan with a take-off thrust of 11,030 lbs. Rolls-Royce believes that it will have extensive applications in other military aircraft besides the AM-X.

Under the AM-X partnership agreement, six prototype aircraft are being built, with two airframes for static and fatigue testing. Alfa Romeo is also involved with Fiat Aviazione in the assembly of the engines.

In the Italian air force, the AM-X is intended to take over duties currently performed by four different aircraft types: the G-91 in close-support roles, the G-91Y interdictor, and the Lockheed F-104G strike aircraft.

McDonnell to promote Australian tourism

BY COLIN CHAPMAN IN SYDNEY

THE AUSTRALIAN Government is about to sign an agreement with McDonnell Douglas whereby the St Louis-based aerospace company undertakes to market Australia as a tourist destination and provides "support and assistance" to the Australian Tourist Commission as an offset to the Royal Australia Air Force's purchase of 75 FA18 tactical fighter aircraft. The fighter deal is worth $3.4bn.

Most Australian purchases of overseas aerospace or transport equipment is normally accompanied by offset conditions, but usually the work is carried out in Australia. This is the first time that tourism has been used as a barter in an offset deal.

The Minister for Tourism, Mr John Brown, also announced yesterday a substantial package to revitalise Australia's tourist industry, which presently contributes $10bn, or between 5 and 6 per cent of GDP, to the national economy, and accounts for 375,000 jobs. Mr Brown plans to double the number of tourists visting Australia, and has increased the budget of the statutory Australian Tourist Commission (ATC) by 75 per cent in order to try and achieve it.

Much of the money is to be spent on a high powered international television campaign featuring the comedian Paul Hogan, who has given his services for nothing, and who will replace the ubiquitous koala bear and the kangaroo as the country's major standard bearer.

The ATC is to open new offices in Hong Kong, Bangkok, Kuala Lumpur and Seoul, and will establish major Australian promotion centres in New York, San Francisco, Tokyo and Singapore.

Mr Brown also announced that the Federal Government plans to introduce duty free shops in the arrivals terminals at Australia's major airports to allow visitors and returning residents to buy both cigarettes and liquor and other goods such as consumer electronics "in a way that will benefit us rather than countries like Singapore."

Lawson, Regan tax talks

WASHINGTON—Mr Nigel Lawson, the British Chancellor of the Exchequer, said he would meet U.S. Treasury Secretary Donald Regan today to discuss the international dispute over unitary tax in the U.S.

He said the U.S. Administration's initial decision not to oppose 12 states' unitary tax laws through federal legislation or the Supreme Court was a matter of considerable concern to the UK and the Common Market.

Under their unitary tax systems, these U.S. states impose a tax on the worldwide profits of multinational companies.

The Supreme Court earlier this year ruled that states have the right to impose such taxes.

Mr Lawson said the Administration's reluctance to oppose the laws "is a very serious development, and does undoubtedly affect relations between the two countries."
Reuter

Du Pont's Japan film deal

BY JOHN WICKS IN ZURICH

TOYO PRODUCTS, a joint-venture subsidiary of the Du Pont group and Toray Industries of Japan, is to build a plant for the manufacture of Du Pont's polyimide film "Kapton." The factory, to be set up on Toray premises near Nagoya, will have annual capacity of some 280 tonnes and raise worldwide production potential for the high-resistance film to over 1,000 tonnes by 1985.

"Kapton," which is currently made at a Du Pont plant in Circleville, Ohio, and processed for the European market in Luxembourg, is used particularly as insulation in the aerospace industry for airframe wiring, in coil insulation systems for traction motors and as substrate for flexible printed circuits.

Call for Opec to end distortions in oil price differentials

BY RICHARD JOHNS

THE Organisation of Petroleum Exporting Countries needs to evolve a system of price variations for different crudes properly reflecting market realities if the stability of the oil market is to be maintained.

This is one of the conclusions of the second report of an influential ginger group of experts long associated with Opec. The Research Group on Petroleum Exporters' Policies* formed last year, which includes two former Opec secretary-generals, warned last year (four months before actual rates were cut by $5) that a "price shock" might have to be administered to members exceeding output quotas and offering discounts if discipline was to be restored.

Now the group sees a proper alignment of differentials "as an absolutely vital element in long-term market stabilisation." They reckon that a "distorted pattern" of price variations is putting pressure on the quota system under the production sharing agreement drawn up in March in their report which is published in the latest edition of the Middle East Economic Survey.

The authors see some important medium-to-heavy crudes especially as being underpriced in relation to the Arabian Light reference, with an official selling price of $29 per barrel, judged by the value of refined products after the cost of shipping and processing crude has been taken int oaccount (see table).

But they reckon that some of the premium light crudes including Brent Bland, the North Sea reference, and Nigeria's Light as aslo being undervalued.

DIFFERENCES BETWEEN REALISED AND OFFICIAL PRICES

($ per barrel)	mid-March	mid-May	mid-July	mid-August
Opec crude				
Arab heavy	1.59	1.17	1.40	1.08
Iran heavy	1.15	1.34	1.24	0.93
Iran light	0.56	0.79	0.67	0.62
Forcados	1.15	1.70	1.45	2.10
Bonny light	0.45	1.11	0.41	1.30
Non-Opec crude				
Maya*	3.69	3.11	3.52	2.45
Alaska North Slope	2.52	2.75	3.00	3.35
Isthmus†	0.59	0.65	0.69	1.21
W. Texas Intermediate	1.17	1.65	1.42	1.93
Brent	0.18	0.75	0.53	1.07
Ekofisk	0.25	0.85	0.61	1.15

* U.S. Gulf values only. † Cracking netback values only'

Source: Research Group on Petroleum Exporters Policies

It is suggested that a 50 cent per barrel differential might be considered reasonable but many crudes recently have been significantly beyond this limit. "Some member countries will find that they are producing below their quota levels while others will feel extremely constrained by their quota restriction."

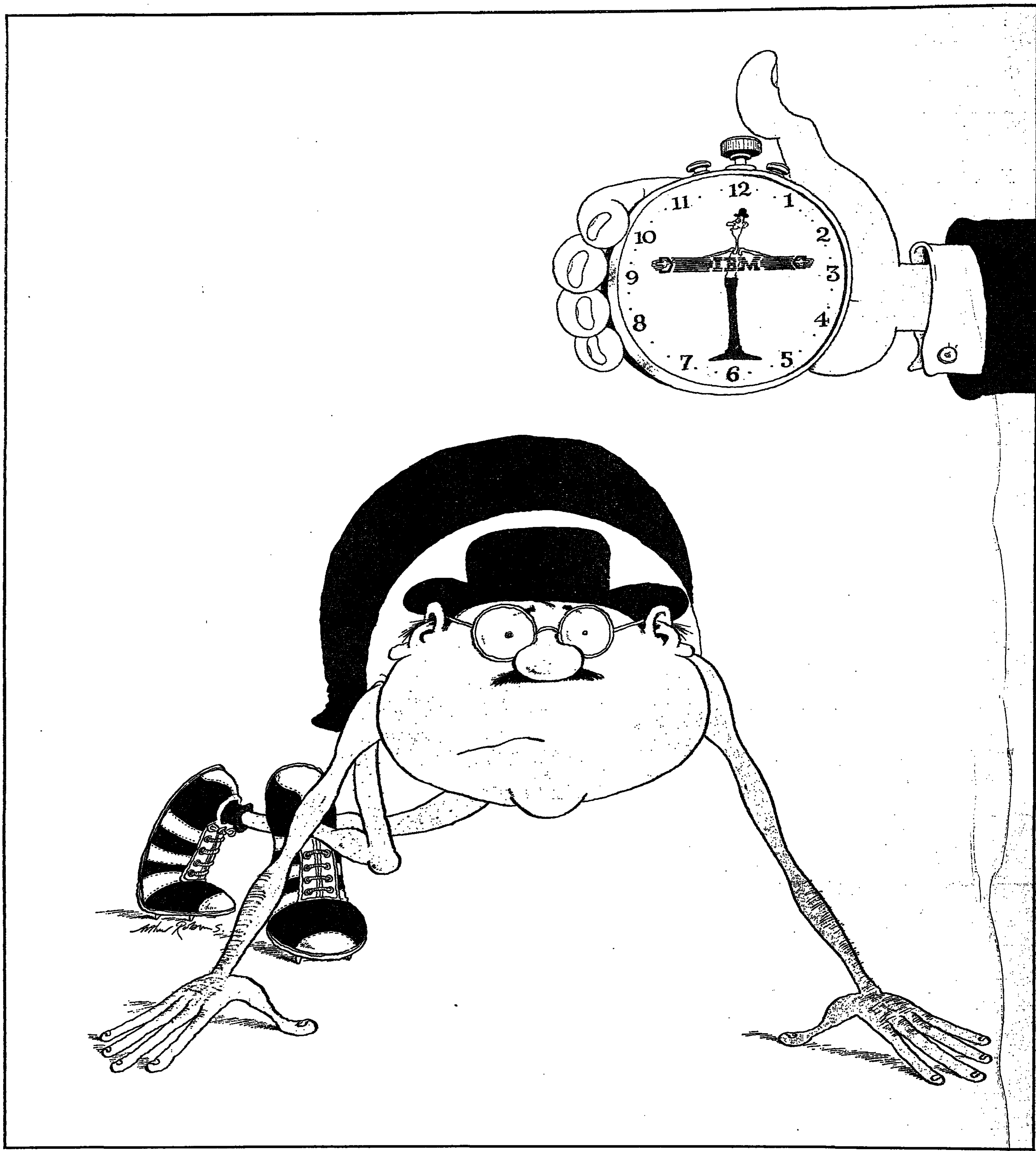
Since the beginning of April the collective ceiling on Opec output has been 17.5m b/d, though recently the rate has been up to 1m b/d above. At its meeting in Vienna on September 15, Opec's market monitoring committee recommended the limit be kept in the fourth quarter despite rising demand.

The group's report gives support to the view of some analysts that the spot market prices for premium North Sea and African crudes such as Brent and Bonny has held up well against official selling prices because they are underpriced. At the end of last week they were being quoted at $30.50 and $30.30 respectively following a decline of a dollar or so since early August.

Realised prices for some heavier and intermediate crudes have held up well because of slack demand and spare refining capacity have meant that a greater proportion of them can be up-graded products through catalytic cracking capacity.

Opec's review — at the next ministerial conference early in December — of the overall ceiling and national quotas should "admit the possibility of a more equitable adjustment on the relative market shares established in March 31," in the opinion of the authors.

* *Dr Frank Parra of Venezuela and Mr Ali Jaidah of Qatar. Other members of the group are Mr Nourdine Ait Laoussine, vice-president of the Algerian state oil corporation Sonatrach, Dr Robert Mabro of St Anthony's College, Oxford, and Mr Ian Seymour, executive editor of the Middle East Economic Survey.*


IBM

UK NEWS

INDUSTRIAL HEARTLAND NOW IN DECLINE

Low pay hits West Midlands

BY BRIAN GROOM, LABOUR STAFF

WAGE LEVELS in England's West Midlands, the highest in Britain 10 years ago, are now among the lowest, and there is widespread poverty in the region, the Low Pay Unit, a pressure group which campaigns against what it considers low pay, says today.

Its report charts the decline of what was once Britain's prosperous industrial heartland and shows how rising unemployment – the West Midlands jobless rate was once almost the lowest in Britain but is now the fifth highest of the country's 10 regions – and falling relative pay levels have accompanied each other.

Ten years ago, male manual workers in the region – the centre of Britain's motor industry – had the highest average earnings of those in any of the regions; by 1982 they were third from bottom, the report says. Their earnings had fallen by 9 per cent in relation to the national average.

Basing its findings on the official new earnings surveys for 1972 and 1982, the report also shows that the average wages of non-manual male workers in the West Midlands fell from second to ninth in the regional "league table." For women manual workers, the fall was from second place to seventh.

Non-manual women workers have escaped the worst effects, falling only from third to fourth. All these declines in relative earning power are against a background of rising unemployment. The West Midlands once had almost the lowest unemployment total in Britain, but now has the fifth highest.

The unit argues that, measured against its definition of low pay (£90 a week in 1982), one in six men and almost two thirds of women worked full-time for poverty wages. Eighty per cent of part-time women workers earned low pay, using an equivalent hourly definition.

The unit is setting up a special West Midlands low pay unit and launching a campaign against low pay in the region, starting today with a meeting in Birmingham, to be addressed by Mr Neil Kinnock, the main contender for the UK Labour Party leadership.

The low pay campaign, sponsored by West Midlands County Council, aims to combat the high level of illegal underpayment of statutory minimum wages set by wages councils.

The unit says that last year a third of West Midlands companies examined by government wages inspectors were found to be paying illegally low wages – double the proportion breaking the law 10 years ago.

General Accident to close offices

By Eric Short

THE GENERAL Accident Group, the UK's largest motor insurer, is about to announce a major programme of rationalisation and reorganisation of its UK operations, which could result in the closure of as much as one third of its branch and sub-office network (around 60 offices).

A statement from the group issued yesterday to counter rumours of a massive branch shutdown, confirmed that it was finalising details of the review and that staff were fully aware that reorganisation discussions were taking place. Meetings were being held this week with the trade unions representing the staff.

The company refused to give any indication of the number of offices due for closure or the numbers of staff involved. It admitted to the need for some redundancies, although it hoped that redeployment and natural wastage would mean that the number of layoffs would not be high.

However, Mr Peter Kennedy of the Association of Scientific, Technical and Managerial Staffs, which represents about half of General Accident's employees, said that talks so far had been of a tentative nature.

Union representatives at today's meeting would be seeking full details of the management's plans and an assurance that there would be no redundancies.

Brokers warned on fighting key changes

BY JOHN MOORE, CITY CORRESPONDENT

SIR NICHOLAS GOODISON, the Stock Exchange chairman, held a private meeting of more than 100 senior partners from the stockbroking and jobbing firms in the stock market yesterday in an effort to head off possible opposition to proposals which will lead to the most extensive reforms in the stock exchange's history.

Sir Nicholas told the meeting that a vote which will bring key constitutional changes to the market was "not only impending but important."

Concern is mounting in the market about the extent of the changes which will result from the agreement between the stock exchange and the Government in June.

The Government has agreed to exempt the stock exchange from the legislation covering restrictive practices provided it admits outsiders to its system of government and regulation and dismantles by stages its rules establishing minimum commission scales for transactions in the market.

Stock exchange members are meeting on October 11 to vote on the admission of outsiders to its council. This requires changes to the stock exchange's principal constitutional document, the deed of settlement.

The changes to the rules on minimum commission do not need to be put to a vote. There are fears that members may register a protest against the changes required in the commission structure by voting against the constitutional changes.

A 75 per cent majority of those voting is required to carry the resolutions on the admission of outsiders. If it is not gained the stock exchange's affairs will once more be governed by the restrictive practices legislation.

During yesterday's meeting Sir Nicholas said outsiders forming a new appeals committee, which will be able to review the stock exchange council's decision to reject anyone applying for membership, would not be in any position to rewrite any of the market's rules.

He also said the dismantling of commissions had to be completed by December 31, 1986.

Sir Nicholas has asked for comments from all senior partners by October 4

Government issues £1bn tap stock

By Our Financial Staff

THE GOVERNMENT took advantage of the market's hopes for an interest rate cut to announce a £1bn Treasury stock issue yesterday.

The issue carries a 9.75 per cent coupon with a minimum tender price of £96.50 per £100 of stock. It matures in 1988 but can be converted between 1984 and 1986 into 9½ per cent long-dated stock.

The previous short-dated tap stock was exhausted on September 21.

Proceeds of the issue will be used to meet the Government's cash requirement and to refinance maturing stock. Payment is in three instalments by December 5

The Bank of England continued to keep the markets on tenterhooks yesterday by leaving its dealing rates unchanged. Although this caused some disappointment, the good U.S. money supply news over the weekend has strengthened the conviction that a cut in base rates is still likely.

Vauxhall strike in balance

VAUXHALL motor workers at Luton in Bedfordshire are to be urged by shop stewards to strike from Friday. But the chances of the 14,500 manual workers at all three British plants of the General Motors subsidiary starting an all-out stoppage over the company's pay offer are in the balance.

Unions at Luton, Ellesmere Port and Dunstable will recommend rejection of the 14-month offer, which the company says is worth 7.7 per cent in cash terms. But stewards are divided on the next step.

Logica expected to seek full stock exchange quotation

BY JASON CRISP

INSTITUTIONAL shareholders in Logica, the leading British computer systems company, want it to go public in the near future. Although no firm decision has yet been taken, Logica is expected to seek a full London Stock Exchange quotation next month.

Logica, one of the UK's largest independent computer software companies, made a profit of about £3.25m on sales of around £44m in the year ended June 1983. In the previous year it made a pre-tax profit of £2.25m on sales of £33.1m.

Just over half the company is owned by the staff, with the remaining 45.38 per cent in the hands of institutional investors from the UK and Europe. Shareholders include: the National Coal Board Pension Fund (5.43 per cent); the Airways Pension Fund (4.67 per cent); Stichting Shell Pensioenfonds (8.5 per cent) and the Drouot Group (8.5 per cent).

Until last year the National Enterprise Board (NEB), now part of the British Technology Group, held a substantial stake in three Logica companies which have now been reorganised into one group. (The NEB had bought out Logica's principal shareholder, the U.S. company Planning Research, in 1979). At the time of the reorganisation the NEB's holdings were placed with institutional investors.

Logica and its brokers Hoare Govett are considering a number of options which would enable some of its longer-standing institutional investors to sell shares. The most probable routes are the full stock exchange listing or the Unlisted Securities Market (USM). It has also not been decided whether to raise new money for the company at the same time.

Weekend reports suggested that about 30 per cent of Logica would be launched on the stock exchange at the end of October. Final decisions are expected to be made shortly, although Mr Philip Hughes, chairman and founder of Logica, is at present in Australia.

Logica was founded in 1969 and has experienced steady growth, with about 40 per cent of its sales coming from overseas markets. In the UK it has a particularly strong presence in the banking sector, including the specification and design of Chaps, the computerised same-day settlement network.

It also manufactures word-processors at its VTS subsidiary, which mainly supplies ICL, the largest British-owned computer company.

Acorn to double Electron production

By Jason Crisp

ACORN, the microcomputer company which is shortly to float 10 per cent of its equity on the Unlisted Securities Market (USM), is doubling production of the Electron, its newest computer launched last month.

The company has placed an order for 100,000 Electrons with AB Electronics, the electronic component and systems manufacturing company. The order is expected to create 100 new jobs in Wales. Acorn is expected shortly to announce further contracts for the Electron from other UK manufacturers.

AB Electronics is to make the Electron at its newly built and highly automated factory at Rogerstone in Gwent, Wales. To date, the Electron, which costs £199, has been made in Malaysia by Astec, a subsidiary of BSR.

AB Electronics, which is based in Glamorgan, has been a manufacturer of Acorn's highly successful BBC computer since it bought Cleartone from the receiver for £250,000 last year.

BOOM INDUSTRY OF THE NEXT DECADE

Sharper TV on the way

BY RAYMOND SNODDY

A NEW generation of television sets with a larger and much sharper picture is emerging from research centres, according to a new study published yesterday.

If successful, the high-definition or enhanced sets could be selling at the rate of 10m a year, worth more than £6.6bn in the 1990s, the study, Strategies for Higher Definition Television, argues.

Mr Tim Johnson, the report's author, says: "With high-definition television we could be seeing one of the boom industries of the 1990s just appearing on the horizon.

"The progress towards creation of a system which can provide an attractive service to the ordinary home has been amazing in the past year or so," he says. "Experts' views on what is possible, and when, are changing almost week by week."

Work on new forms of television receivers is being done in the U.S., Japan, Germany, the Netherlands and the UK.

In Britain, Mr Johnson says, the main work is being done by Philips, GEC-McMichael, the Independent Broadcasting Authority and the BBC.

Until now high-definition television has been largely associated with the work of NHK, the Japanese public broadcasting company. The Japanese system is based on 1125 lines, compared with 525 lines in the U.S. and 625 lines in Europe.

It is, therefore, incompatible with existing television receivers and may be more relevant for movie and closed-circuit distribution.

The biggest improvements on the way include methods of high-speed progressive scanning, says the report. Instead of scanning half the lines in a picture 50 or 60 times a second, enhanced television would scan all the lines 100 or 120 times a second. The apparent sharpness of the picture is greatly improved.

Commercial exploitation will need the development of a microchip "frame store" cheap enough to go into a domestic set but sophisticated enough to hold a complete electronic record of one or more television pictures.

Such a memory size would cost many hundreds of pounds now, but the price could fall to as little as £7 by the late 1990s, the report says. Apart from dividing the screen to show several channels at once such a chip would turn a television set into a powerful terminal for personal computing or video games.

Enhanced television would need more broadcasting space than ordinary television. It could be distributed by using two cable channels or by direct broadcast by satellite (DBS).

Enhanced television could be carried in a stretched version of the MAC (multiplexed analogue component) system recommended as a DBS standard in Europe and, according to Mr Johnson, being considered for the U.S. and Canada.

"All the problems which looked so insuperable only a year ago are now being solved," Mr Johnson claims.

"There's no doubt now that high-definition television will be technically feasible – the questions are how and when it will be achieved."

Strategies for Higher Definition Television, Ovum Ltd, 14 Penn Road, London N7. $395 or $245.

● Sony, the Japanese consumer electronics manufacturer, plans a £3.6m expansion of its colour television tube plant at Bridgend, South Wales, which will double production capacity there, writes **Guy de Jonquieres.**

A 27,000 sq ft extension is due to be completed by August next year, increasing production capacity to 240,000 tubes a year from 120,000 and providing up to 60 more jobs.

The tubes will supply Sony's television factories at Bridgend and in West Germany. The company employs almost 1,000 people at Bridgend, where it makes about 180,000 television sets a year.

Shell's Manchester complex in jeopardy after heavy losses

BY NICK GARNETT, NORTHERN CORRESPONDENT

SHELL Chemicals has told shop stewards at its Carrington complex in Manchester that the site must break even by the end of 1985 or it will not survive.

The complex, which has made heavy losses during the past three years, recorded its worst performance in that time during the second quarter of this year.

Dr Ian Thornley, the plant's manager, told union representatives that costs were still too high, that the management was considering a number of options including compulsory redundancies.

The unions have already told the company that they will not accept enforced redundancies and will initiate industrial action if that option is taken up.

Employment at the complex, which was 2,500 by the end of 1980, fell to 1,750 at the end of last year, and there is a programme to reduce this to 1,280 by the end of this year. All these reductions have been carried out by voluntary means, natural wastage and redeployment.

Shop stewards said yesterday that the company appeared to be heading for a shortfall on its target figure. Mr Fred Green, the Transport and General Workers' Union convener, said the company seemed to want to accelerate job losses, and he reaffirmed the threat of industrial action over compulsory job cutbacks.

Shell Chemicals UK lost £87m last year and the future of Carrington might be largely dependent on the development at Mossmorran, Scotland.

Shell is due to commission a gas separation plant at Mossmorran next year and will have a share of ethylene output from the ethane cracker Esso is due to commission at Mossmorran the following year. This ethylene is due to be used at Shell's higher olefines plant at Stanlow in Cheshire in north west England.

● Overtime restrictions imposed by workers at the massive Shell oil refinery at Corringham on the Essex coast will be lifted today. The men decided to impose the restrictions for a week in protest against plans to slash the workforce from 1,100 to 850 next year.

Other measures may follow, including the possibility of an all out strike if workers are disciplined because they refuse to move from one job to another.

British Steel plans to match the Japanese

BY BRIAN GROOM, LABOUR STAFF

BRITISH STEEL (BSC) is planning a new series of productivity measures aimed at matching Japanese manpower efficiency standards. The measures would cut across traditional demarcation lines, even those involving senior mangement.

After savage redundancies which have cut BSC's workforce from 210,000 to 75,500 over six years, the corporation aims to use remaining workers more flexibly. This involves moving towards the "steelworker concept," a controversial proposal to make employees into virtual "jacks of all trades" – able to undertake all kinds of work.

Production workers will be required to do more maintenance and repair of their own machinery. Craft workers will be asked to operate machinery, as well as maintain it.

The division between staff and manual workers will be further blurred. At some BSC plants "leading hands" are already taking on supervisory duties, while foremen cover wider areas and can pick up the tools to speed up a job.

At the top level, BSC officials question whether traditional managerial divisions between production and engineering, or between quality control and production planning and control, need be retained in a slimmed-down corporation.

The steelworker concept ran into stiff union opposition when it was proposed at a small number of locations earlier this year. It was the main reason why the corporation failed to win a national enabling agreement with most unions before the 1983 local pay and productivity negotiations.

New proposals are likely to start emerging in BSC's individual businesses in the next few months. Managers hope that this time they will be broad-based enough not to antagonise particular groups. Protests so far have come from production workers' unions who objected to their jobs being taken by maintenance craftsmen.

BSC managers argue that the rigours of the market compel them to seek higher efficiency. They believe that massive redundancies have tackled institutionalised overmanning, and raised productivity to the point where it matches or betters the best in Europe.

The Japanese, however, are still ahead. Sumitomo, for instance, makes a similar amount of steel to BSC but with an estimated workforce of about 60,000 workers – 31,500 of its own, plus outside contractors' employees who work even in direct areas such as coke ovens.

BSC's man-hours required to make a tonne of liquid steel reached 7.3 in the April-June quarter, compared with the plan to average 7.9 over 1983. In 1979 the corporation was achieving only 13.6 man-hours.

Car makers test new battery

CHLORIDE is to introduce a battery in the UK which, it claims, is more powerful than conventional models. British Leyland and Ford, which are interested in its weight-saving potential, are carrying out long-term trials on the battery.

Chloride says the battery, called Torque Starter, is 20 per cent lighter than conventional models yet gives 20 per cent more power during the vital first 20 to 30 seconds when a car is being started. It is designed to fit several types of cars.

BMW and Mercedes are using the battery as original equipment in South Africa, and General Motors is installing it on some Holden models in Australia.

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YAMAICHI SECURITIES COMPANY, LIMITED
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September 27, 1983

UK NEWS

MORE ULSTER TERRORISTS RECAPTURED

Urgent inquiry into Maze escape

BY BRENDAN KEENAN IN DUBLIN

THE CHIEF Inspector of Prisons, Sir James Hennessy, met the Northern Ireland Secretary, Mr James Prior after arriving in Belfast yesterday to conduct an urgent inquiry into Sunday's mass escape from the Maze Prison, where most of Northern Ireland's convicted terrorists are held.

Sir James will want to know how it was possible to acquire guns, despite extensive search procedures; how prisoners could take over their cell block without the knowledge of staff; and why the breakout was not intercepted by Army patrols.

Two more escapers were recaptured yesterday in South Down, about 30 miles from the prison; 17 of the 33 prisoners who broke out are still at large. They are believed to include nine convicted killers and some of the Provisional IRA's most senior men, among them Kevin Barry Artt, recently convicted of murdering, on the testimony of police informer Christopher Black, an assistant governor of the Maze.

Others include Brendan McFarlane, who led the abortive hunger strike in 1981, and who is believed to be one of the IRA's most senior men. He is serving life, with a minimum recommendation of 25 years, for killing five people in a bar in Belfast's Protestant Shankill Road.

Joseph Curry, who also escaped, was described at his trial as the leader of the IRA's South Derry brigade, and is serving 25 years for the murder of a member of the Ulster Defence Regiment.

One of the biggest security operations ever mounted was taking place on both sides of the Irish border yesterday to try to recapture the remaining fugitives. Police in Northern Ireland said almost every available member of the security forces was taking part in the operation.

The special task force of the Irish Police was drafted in to help in the search and Dr Garret Fitzgerald, the Irish Premier, has asked for hourly briefings.

Meanwhile, the Northern Ireland Secretary rejected allegations by the Reverend Ian Paisley that metal detectors used to check for guns had been tampered with. Mr Paisley indicated that he believed the prisoners had help from inside the jail.

Mr Prior met deputations from Mr Paisley's Democratic Unionists and the official Unionists yesterday. He rejected calls from Mr Paisley for the resignation of the Minister in charge of prisons, Mr Nicholas Scott.

The escape is a boost for the IRA when they are under severe pressure from the security forces and from the evidence of "supergrasses," (police informers). Mr Prior admitted that the escape would give them some temporary encouragement, but said the reversals they had already suffered should not be underestimated.

The dilemma at Northern Ireland's Maze Prison has always been to strike a balance between security needs and a humane regime for hundreds of young men serving long sentences. Over 20 per cent of the 800 prisoners are serving life sentences, compared with only 5 per cent in prisons in Great Britain.

The protests and hunger strikes, which made the prison a household name around the world, were centred on this issue. The prisoners demanded their own clothes, free association, an end to body searches and segregation of Republican from Loyalist prisoners.

The escape may blunt the edge of Loyalist demands for segregation of Republican and Loyalist prisoners. The breakout was organised in an area where only Republican prisoners are held and they were able to overpower warders in their block and hold them for some time

North Sea price cuts suggested

By Ray Dafter, Energy Editor

THE GOVERNMENT should consider cutting the price of North Sea oil to UK consumers, according to an energy policy document published yesterday by a working party of the Social Democratic Party (SDP).

The report says that as international oil prices did not reflect true market conditions – they were set either by a "producers' cartel" or by "cut-throat competition" – the UK should investigate the merit of charging itself a preferential rate for domestically produced oil.

The report continued: "Government should ensure that our valuable resources of oil are used to maximise the benefit to the country as a whole rather than to maximise the benefit to the international oil companies."

Dr Dickson Mabon, a former Labour minister and one of the report's 10 authors, said that until now world oil prices had always been reflected at the petrol pumps. Both Labour and Conservative governments had run away from the possibility of introducing a preferential oil price for internal consumption, even though the principle had been adopted in other countries.

"At least we should think about the possibility, even if, in the end, we reject it," he said.

The report, the first in a series of SDP discussion documents, puts forward a 12-point plan for UK energy strategy. As a matter of priority the authors advocate a drive towards greater energy conservation.

An Energy Strategy to the 21st Century, SDP working party on energy; SDP Open Forum Committee, 4 Cowley Street, London SW1P 3NB.

New oil find confirmed in Galley field

By Our Energy Editor

THE DISCOVERY of oil-bearing rock more than 13,600 ft below the sea bed in the Galley oilfield, 120 miles north-east of Aberdeen, has been confirmed by Occidental Petroleum (Caledonia).

During an eight-hour test oil flowed at a stabilised rate of 6,515 barrels a day. The oil was light, with a specific gravity of 43.6 degrees API (American Petroleum Institute).

It was the second well in an exploration and appraisal programme undertaken on block 15/23a by Occidental as part of an agreement to obtain a stake in the concession. The first well was abandoned having produced only minor oil shows.

Occidental said the Galley geological structure was complex and further drilling and seismic work would be required before any development programme could be considered.

Axe big spenders, Thatcher told

BY ROBIN PAULEY

PUBLIC SPENDING can be kept under control only if Mrs Margaret Thatcher regularly sacks spending ministers who fail to produce substantial savings, says one of the Government's leading economic supporters.

It is incomprehensible that spending ministers who fought a general election committed to the Government's strategies should press for more public resources instead of offering new savings in order to bring forward tax cuts, Professor Patrick Minford says in Liverpool University's latest economic bulletin.

Professor Minford, an outspoken supporter of the Government's medium term financial strategy, says tax cuts are not "just a nice luxury to hand out to the electorate like sweets at a school bazaar."

They are, he says, vital to the second part of the Government's strategy – the creation of employment and growth through greater incentives, especially for those in the so-called unemployment trap.

Professor Minford's comments come as Mr Peter Rees, Treasury Chief Secretary, is in the middle of a campaign to persuade Government departments to reduce 1984-85 demands so that he can keep the £126.4bn public expenditure plans on target.

He must achieve reductions of £2.5bn through a mixture of cuts, creative accounting and perhaps a small draw on the contingency reserve.

The overbidding of £2.5bn by Mr Patrick Jenkin, Environment Secretary, already includes an extra £500m for local government current expenditure.

Mr Jenkin may have to give cuts on the urban programme, a key target in the view of Mr Nigel Lawson, Chancellor of the Exchequer, and around £500,000 of cuts in the housing capital programme have already been decided.

Professor Minford, however, says there is no sign yet that all spending ministers are seriously examining radical ways of cutting expenditure. He says: "No doubt flushed with the prospect of another four or five years of power, some of them give every sign of relaxing complacently into the grooves of existing programmes and habits."

Only the Prime Minister can prevent this behaviour by sacking the guilty ministers. The alternative would be "continued botched cuts on top of an uncontrollable upward drift in public spending," Professor Minford warns.

His research group in macroeconomics, however, retains its optimistic forecast for the economy, assuming interest rates will fall and that the public sector borrowing requirement will, in fact, be curbed rigorously.

Quarterly Economic Bulletin, Liverpool Research Group in Macroeconomics, University of Liverpool.

France cuts purchases of British steam coal

BY MAURICE SAMUELSON

FRANCE, the leading overseas customer for UK coal, is to cut its purchases from Britain this year by 400,000 tonnes, worth up to £15.2m to the National Coal Board.

The board had been expecting to supply 1.2m tonnes of steam coal to Electricité de France (EdF) in this financial year. But falling electricity sales and the growing use of nuclear power have forced EdF to declare *force majeure* on some of its coal contracts with overseas suppliers.

That particularly affects Britain, Poland, South Africa and Australia.

The British supplies come mostly from pits in the Midlands and are exported on French ships via the east coast port of Immingham.

Technically, the French have merely deferred the 400,000 tonnes to a future date, rather than cancelling them. Nevertheless, it might mean an important loss of revenue for the hard-pressed coal board. Official prices for steam coal are up to £38 a tonne, although there have been frequent reports of large discounts being offered to secure orders.

In 1982-83, Britain exported 7.1m tonnes of coal compared with the previous year's 9.4m tonnes, which was the highest total for about 20 years.

EdF's decision means that the best overseas customer for British coal is now Finland, which has an order for 1m tonnes a year of power-station coal.

UK air traffic rises

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE improvement in overall UK air traffic earlier in the summer continued during August, with the British Airports Authority reporting a gain of 4.6 per cent to nearly 5m passengers at the seven airports it controls.

Together with an even faster growth already noted during the early part of September, this is regarded by the authority as further evidence that the recession in air transport is ending.

The authority believes that for the summer as a whole, the overall rise in UK air traffic will amount to about 6.5 per cent compared with last year.

At Heathrow, London, passenger traffic in August rose 1 per cent to 2.7m. At Gatwick it rose 11.7 per cent to 1.64m passengers.

● Competition between Heathrow and Amsterdam's Schiphol airport will become fiercer during October, when the latter brings a "road show" to UK provincial areas, designed to show that Schiphol is easier to use than Heathrow.

Plant contract to go abroad

BRITISH electrical companies have been told that their tenders for about £2m's worth of key electrical work at a £135m paper plant planned in North Wales by United Paper Mills of Finland have been passed over in favour of foreign suppliers, writes Andrew Fisher.

UPM, which is receiving nearly £30m of UK Government aid for the pulp and newsprint plant in the special development area of Shotton, has yet to decide which continental European company will obtain the business.

But Stromberg of Finland, ASEA of Sweden, and Siemens of West Germany are thought to be in the running. UPM is likely to decide in the next couple of weeks.

Three UK concerns – GEC Industrial Controls, Harland Simon, and PPD Engineering, part of Allen Bradley – bid for the work to supply electrical equipment to run the paper machine and winders.

CONTRACTS

GEC wins £16m order from British Telecom

GEC telephones and switching systems worth £16m have been ordered by British Telecom from the telephone division of GEC information systems. Orders include one worth some £8m for "Ambassador" electronic switching systems bringing the total value of orders received for this system since 1982 to £30m. A larger system in the GEC range of electronic switching systems has also been ordered. The "Tudor" ESS has a capacity of one to five exchange lines and up to 20 extensions. Large quantities of pushbutton telephones—the "Statesman" and "Ambassador" models—were also ordered.

*

Bedford-based **TEMPCO INTERNATIONAL** is investing £3.5m in a cold store and regional distribution centre, a large part of which will be leased by Birds Eye Wall's, at Monkspath, Solihull. The development is due for completion next summer. The work is being carried out by the Midlands company, Smith and Partners, with Tempco T.I. Engineering of Swindon, acting as design consultants.

The first-phase will occupy five acres of an eight-acre site, and will comprise 1.4m cu ft of temperature-controlled storage space. There will be 8,500 sq ft of office accommodation for a staff of more than 200, with parking facilities for over 100 cars.

*

BRUSH WELLMAN INC. has been awarded a $14.3m (£9.5m) contract from the U.S. General Services Administration for delivery of 60,000 lbs of beryllium to the national defence stockpile, over 12 months with initial delivery to be three months after award of contract. The contract also provides for options for future deliveries at prices to be negotiated.

*

Atlas ARPA 8500 A/CAS radar systems have been delivered by **KRUPP ATLAS-ELEKTRONIK** for installation on the VLCC tanker fleets of two Greek shipping concerns, Karageorgis and Mayamar Marine Enterprises, both of Piraeus, under orders worth more than £500,000.

A contract for a 200 tonnes a day sulphur-burning sulphuric acid plant has been awarded by the Générale des Garrières et des Mines "GECAMINES" of the Republic of Zaire to **SIM-CHEM, UK** (a Simon Engineering company). The plant, which will replace an older sulphuric acid unit, is to be built on an existing complex at Shituru, near Lisaki in Southern Zaire, and is one of a number of new plants scheduled for this site. The total value of this turnkey project, which will be financed by the EEC, is nearly £3m, and is scheduled for completion in 1985.

*

SAUNDERS VALVE COMPANY, Cwmbran, has signed an agreement worth more than £800,000 with China, to supply of both products and know-how, with deliveries of the first quantities of diaphragm valves scheduled during next year.

*

TESLA ENGINEERING, Storrington, has won an order worth £3.1m from the European Organisation for Nuclear Research (CERN). The contract is for the main sextupole electromagnets for the LEP (large electron positron) project. Tesla will be supplying a total of 510 sextupoles of two different types, with an option for a further 32 units. The Tesla magnets for LEP are designed to exceptional tolerances to give the high quality magnetic field distribution that the application requires: they are to be used to control and adjust focusing the beams of electrons and positrons that will circulate inside a vacuum chamber around the LEP machine.

*

Two orders totalling over £500,000 have been won by Dobson Park company **RICHARD SIMON & SONS,** Nottingham. One is for a milk powder packing line for Nestle of Croydon, and the other is a weighing, packing and palletising plant for L & K Fertilisers, Saxilby, Lincolnshire.

*

Around £2m ICL computer equipment has been ordered by Vestric, a wholesaler and distributor of pharmaceutical products. The contract entails supply of an ICL 2988 mainframe computer and an ICL 2966 mainframe computer to provide a nationally structured real time transaction processing service for chemists and hospitals throughout the UK, through the company's 30 warehouses.

*

The **HEWGATE CONSTRUCTION GROUP** has won contracts totalling over £2m. They include a project for Wycombe District Council, believed to be in the region of £880,000, and substantial refurbishment of a building in High Wycombe to provide new headquarters for Orange Medical Instruments.

*

OPTIM-MCS is to supply about £2m worth of computer systems to Floreat furniture buying group. Over the next two to three years, Optim-MCS will supply almost all Floreat's 137 member retail companies with small computer systems.

*

CRADLE RUNWAYS, a member of the OCS Group, has won four contracts to supply its products to the Middle and Far East. The largest, worth £350,000, is to supply four long-jibbed power trolleys for a project in Hong Kong's Exchange Square. The trolleys have stainless steel plating on the main jibs. The units will operate on top of two 51-storey buildings. Cradle Runways has also won a contract to supply the Bank of Oman in Muscat, the Kuwait Stock Exchange and the Barclay International Bank in Cairo with equipment for building maintenance operations. The contracts are worth over £117,000.

*

An export order worth over £750,000 for the first phase of an action speed tactical trainer, has been placed with **SOLARTRON SIMULATION SYSTEMS,** an operating division of Schlumberger Electronics (UK). The system, being built for the Indonesian Navy, is scheduled for delivery during 1985. It will be installed at Surabaya, on the island of Java.

*

An order worth about $2m (1.3m) has been won by **GULLICK DOBSON INTERNATIONAL** of Wigan, part of the Dobson Park Industries Group, to supply underground roof supports to Kitt Energy Corpn. of Pennsylvania, a subsidiary of Standard Oil Co. The roof supports will be installed at the company's Kitt Mine operating in the Lower Kittaning coal seam.

APPOINTMENTS

Group planning director for Rentokil

Mr Jim Morton, currently managing director of RENTOKIL UK property care division, has been appointed group planning director from January 1 1984. To succeed him Mr David Chenery has been appointed managing director UK property care, from the Jeyes Group.

*

ACT (HOLDINGS) has appointed Mr Ed Sherman as managing director of ACT (UK) and international group. Mr Peter Davies takes over as managing director of ACT (UK), having previously been managing director ACT (Financial Systems).

Mr Ed Sherman, managing director, ACT (UK) and International Group

*

Mr Roderick F. A. Balfour has been appointed an executive director of THE UNION DISCOUNT COMPANY OF LONDON from October 3. He will resign his directorship of Jessel Toynbee and Gillett.

*

Following the investment in CAPPER NEILL by Consolidated Contractors Company Europe BV, which now owns 58.9 per cent of the enlarged ordinary share capital of the company, National Westminster Bank and Midland Bank have subscribed for, in aggregate, 7,00,000 variable rate redeemable preference shares of £1 each. Mr W. P. Capper has resigned as chairman and director and Mr A. P. Capper, Mr J. Laithwaite and Mr R. G. Roberts have resigned as directors. Mr K. G. Toroyan, Mr A. J. Hubschen and Mr J. Small have been appointed directors and Mr Toroyan becomes chairman. Mr R. T. M. van Gestel remains on the board.

*

Mr Christopher Stewart Lockhart has been appointed to the board of G. PERCY TRENTHAM from October 1.

*

Mrs P. S. Godley Maynard, of Kleinwort Benson has been appointed to the board of PITMAN as a non-executive director.

* * *

NALFLOC has appointed Mr Don Stewart as general manager from October 1, he will take over from Mr Ken Jones, who is retiring. Mr Stewart will have overall responsibility for the activities of the Northwich-based company which is jointly owned by ICI and Nalco. He has been a non-executive director of Nalfloc since 1979, and will continue on the board. Prior to his new appointment he was site manager at ICI's Castner Kellner works.

* * *

Mr John L. Crooks of Beverley has been elected president of the BRITISH VETERINARY ASSOCIATION.

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THE ARTS

Music from Zimbabwe

Andrew Clements

The mbira is a keyed instrument long established in Africa south of the Sahara. Its precise conformation varies from region to region, but its essentials are constant—a set of metallic keys, soundboard, resonator (usually a gourd) and some means of adding buzzing overtones to the neutral sound of the plucked keys. Among the Shona people the mbira is the most important and popular instrument in its musical and religious traditions; the British colonisation of Zimbabwe reduced its popularity but since independence there has been a resurgence of interest in which the mbira ensemble Mhuri YekwaRwizi has taken a leading part.

Mhuri YekwaRwizi opened the World Arts Season at the Bloomsbury Theatre on Sunday evening, a series presented by Arts Worldwide that is also scheduled to include musicians and dance groups from Java, Iran, Peru, and India. This first concert was introduced by Paul Berliner, who has written a study of mbira music and, as he demonstrated during the evening, is a highly proficient performer on the instrument himself. The ensemble is led by the singer and mbira player Hakurotwi Mude and includes three other mbira players, as well as a dancer who plays gourds and mbira also.

The music is essentially layered—one, two or more patterns repeated over a percussive pulse with a vocal line or lines added on top. The patterns moving in and out of phase create enormous polyrhythms intricately worked; the singer's phrases are generally short and rhythmically independent.

The effect is exhilarating and generates considerable excitement to which dance a short sequence of staccato gestures that builds to a climax and subsides adds a further layer. Professor Berliner demonstrated how the music was built up but the evening was anything but a dry scholarly exegesis; the audience was predominantly African and participation in various forms was encouraged.

It made a fine start to what promises to be a fascinating series. Some aspects of the packaging of the concert left something to be desired: it began 20 minutes late with no explanation given and for much of that time the audience was left in darkness staring at an empty stage; the public address system was badly regulated, and the amplification of the mbiras tended to muddy the individual lines. In the end, however, the exuberance of the music was more than adequate compensation.

London Symphony/Festival Hall

David Murray

With their Music Director Claudio Abbado at the helm, the London Symphony began their 80th concert year on Sunday with a programme that will be repeated—deservedly—next Sunday. As soloists they had Cécile Licad in Schumann's Piano Concerto, and in the German Requiem of Brahms, Hermann Prey and the Scottish soprano Margaret Marshall. It was not an evening for fireworks, though the London Symphony Chorus produced some thrilling outbursts in Brahms; intensive music-making was the order of the evening, scrupulously guided by Abbado.

Manila-born, Miss Licad has been a pupil not only of Horszowski but of Serkin. She doesn't make a large piano-sound (I was glad to be sitting close), but her musical phrasing and pointing—always perfectly to scale—seize the ear by sheer conviction. Two or three rippling figures in the first movement carried too faintly under the orchestra, losing some physical impetus; otherwise every small touch penetrated. This was an uncommonly poetic account of Schumann's Concerto, singing and shapely. Though one guessed that Abbado's own instinct was for a bolder drive through the music (the occasional solo-less *tutti* dashed away with evident relief), he accompanied his pianist with close fidelity, and without suppressing any of the tender orchestral detail.

Abbado's Brahms had a cultivated finish—almost too sober and subtle, had not "Denn alles Fleisch" and "Denn wir haben" towered up so magnificently. In the softest singing the Chorus was equally taut and poised, and the conductor maintained a superlative balance among his forces. Prey's committed declamation made one regret, as usual, the modest size of the baritone role—the warm lustre of his voice is still remarkable; Miss Marshall produced melting sounds in "Ihr habt nun Traurigkeit," not less affecting for a tiny trace of unsteadiness. If the Requiem lacked anything, it was a sense of tough forward development; Abbado's measured contemplative reading offered other rewards.

Saleroom

Antony Thorncroft

The contents of one of the grand houses of Ireland, Luttrellstown Castle, near Dublin, are being sold this week, the property of the Hon. Mrs Aileen Plunket. On the first morning Christie's sold goods valued at £1,166,714, close to their estimate for the whole three-day auction.

The top price was the £93,040, three times forecast, paid for a pair of George II white painted side tables, perhaps by Matthias Lock. Lady Abdy bought a royal commode, made for the bedchamber of Louis XV at the Chateau of Fontainebleau, for £69,120. It is almost certainly the missing commode from the pair in the Wallace Collection stamped by N. J. Marchard and dated 1755.

A Nicholas I of Russia tapestry of 1835, with the mark of the Russian Imperial Manufactury, realised £64,800, around double the estimate, and a pair of Italian gilt bronze and rock crystal candelabra, partly 17th century, did exceptionally well at £56,160, as against a £7,000-£10,000 estimate.

A set of 12 fauteuils, part of the mid-18th century refurbishings of the Chateau de Maintenon, sold for £56,160, rather below their forecast, and a William IV mahogany circular dining table, which was discovered in the stables when Mrs Plunket moved into the house, went for £34,560, twice *its estimate.*

Among the items coming up for sale at Sotheby's in November is the Lady Tennant, ex Lafont, Stradivari of 1699, the most important Stradivari to come up for auction since the Lady Blunt of 1971. It dates from the start of the maker's "golden period" and is estimated at over £250,000.

Another Sotheby's highlight in November should be a Turner *painting "Neapolitan* fishing girls surprised by moonlight" painted in the 1830s, which is estimated at up to £300,000. Also in the sale of British paintings are a portrait of the Duchess of Newcastle by Sir Thomas Lawrence, and a previously unknown work by Sir Peter Lely "Man playing a violin."

London Galleries/William Packer

Avant garde Russians, and after

It is not unusual for an enterprising dealer to take advantage of a more public and obviously ambitious programme; but it is unusual for two to do so of two such different cases at the same time, and so well that to miss either of them would be to miss not so much a footnote as a proper rider to the principal show.

Browse and Darby are showing a tiny but choice group of works by Matthew Smith (until October 22) that quite makes up in quality what it lacks in scope against the splendid Matthew Smith retrospective at the Barbican (until October 30). A rather more particular exercise is at Annely Juda Fine Art (until December 3), an extraordinary commemoration of the Van Diemen Gallery's exhibition in Berlin in 1922, "The 1st Russian Show." It is indeed a most significant complement to the selection from the Costakis Collection, "Art of the Avant-Garde in Russia," now filling the Fine Rooms of the Royal Academy (until November 13).

How George Costakis a Moscow-born Greek, who in the years after the last War was a minor official first in the Greek and then in the Canadian Embassy, came by his collection is a little history in itself, and one that casts a shaft of light across the peculiar and sad circumstance of modern art in Russia since the Revolution. For it is of the inhibiting nature of Revisionism that, having been rewritten once, it is ever more difficult to rewrite history a second time, to admit to that unthinkable first mistake.

The most active and influential artists in Russia, so engaged in the excitement of ideas as much political as creative, in the years before the First World War and so committed to the Revolution when it came, lived to see their enthusiasm and energy betrayed, and their achievement ignored where it was not denounced. Such engagement, such imaginative freedom, were too much for the suspicious peasant minds of the commissars; and for nearly sixty years the banalities of communist social realism have been celebrated, and a major national achievement, a major imaginative contribution to the 20th century, wished out of existence.

On becoming aware of this remarkable group of artists, Costakis became an obsessive collector of their work; and since most of them had never left Russia, and some were still alive, he was able to trace them personally, or at least their families, a clandestine but not illegal business. A few members of our Contemporary Art Society, visiting Russia in the early sixties, called upon Costakis in his tiny flat to see something of his collection, of which even then they had heard. They remember what was to hand being taken from the only place it could be stored, beneath the bed. The bulk of the collection remains in Russia, some of it left to Russian museums, and what else there is undiscovered is unguessable: and Costakis himself has now returned to the West, to live in Greece.

Still Life by Liubov Popova

In the years before the First World War, travel was easy enough for the cultured, the educated and the active; Moscow and St Petersburg were quite as much on the map as Berlin, London, Zurich, Milan, Munich, Paris of course, and there was inevitable exchange among artists of the avant garde. The War stopped that, but by then, what with Cubism, Futurism, Expressionism, Vorticism, ideas of abstraction were current, even commonplace. In Russia, suddenly so isolated, they were refined to a degree of extreme simplicity, both intellectual and *practical — the first true* minimalism, the symbolism of abstraction becoming the Suprematism of Malevich, the supremacy of feeling over all other considerations in Art. With the Revolution, such thoughts could easily be directed to the symbolism of function and usefulness, adapted indeed for practical use in the workers' state, by worker artists, in theatre, illustration, *architecture, design of all kinds.*

Once it was known more widely what was going on, the point was well taken, and the influence of Russian ideas and practice upon European art and design, from the early twenties on, was profound. Most directly was it felt at the Bauhaus, central to the development of Constructivism, with its principles of functional purity in design, and the essential integrity of all the plastic arts. In 1922, the Russians had yet to be disavowed at home, and the Van Dieman Gallery in Berlin sought to bring out the very latest work, and incidentally to cement the Moscow-Berlin axis by showing relevant local work alongside. For more than a decade Mrs Juda has been our own chief advocate for the Non-Objective Art of this remarkable period, celebrating it in a series of memorable shows. Now she goes on as splendidly as ever with this attempt to re-create the spirit if not quite the fact of that Berlin Show, for all the names are here: Archipenko, Chagall, Gabo, Kandinsky, Malevich, Gabo, Klucis, Popova, El Lissitsky, Rodchenko, Tatlin, Klee, Moholy-Nagy, Bayer, van Doesburg—and so on and on.

It might all sound rather dry and heavy, such is the expectation of abstract art; but the reality is entirely different, and the abiding impression left by both shows is of an extraordinary liveliness and joie de vivre, and the recollection of particular works of great beauty. The Costakis show, it is true, consists principally of *studies and designs, minor* works themselves that wait upon the absent final statement, but even so the wit and engagement come across if anything the more directly; and there is besides a wonderful relief fragment by Tatlin, a most elegantly serpentine wing-strut for his "Letatlin," that was to be a flying bicycle. Mrs Juda has such a variety of special treats that a list is pointless and invidious besides. I shall say only that the early expressionist head of a peasant by Malevich is remarkable; my particular favourites an asymmetric cement relief, oddly reflected boxes, by Laszlo Peri, and a small, rich abstract panel by Suetin, just simple lines and blocks of colour.

*

Matthew Smith is long overdue a fair reassessment of his work, an artist of real distinction and achievement, yet for all the recognition, honorific as well as practical, that came to him in his lifetime, one whose present reputation stands at the level of bare grudging acknowledgement. The difficulty lies with the contradictions inherent, as much in his temperament as in his work. He was the most withdrawn and diffident of men, and the most robust and confident of artists, the most French of our English artists in this century, and the most English of expressionists, painterly restrained, controlled. Peter Quennell, in his recent memoir, "Customs and Characters," makes the point exactly: "Shy, small, pallid and myopic, he seemed difficult to associate with his heavily ensanguined nudes, which suggested that, before he began to paint, a stoutish model had been skinned alive and then left to bleed to death upon a pile of satin cushions."

And he gives Augustus John's comment on his old friend's work, saying much the same: "a cataract of emotional sensibility . . . a pageant of grandiose and voluptuous forms and sumptuous colour . . . controlled by an ordered design and a thoroughly learned command of technique." The best of the *paintings are indeed terrific,* and the nudes best of all, so ambitious in their conception, so curiously light and witty in their execution, for all the thundrous tonality in which they are wrapped. Smith was a splendid painter, but too much his own man perhaps, of no clear school or category, and too open in his reverence of Matisse, whose studio he had once attended, at once too *dangerous and too decorative.*

In these days of resurgent figurative expression, too often so crude in statement and over-blown in scale, his work stands as an object-lesson in finesse, sufficiency and craftsmanship. Vera Russell is to be congratulated on the selection she has made, so much of it out of sight since the artist's death 24 years ago. Much of it passed into the City of London's collections in 1974 on the death of his heir, Mary Keene; and the intention now is to keep a portion of that bequest permanently on view at the Barbican. Smith deserves no less, and certainly this show, and that at Browse & Darby, should not be missed. From them both we can see that only his painterly good manners, perhaps, are out of date.

La rondine/Venice

Puccini discovery

William Weaver reports on a surprise revival

Under the imaginative new administration of Lamberto Trezzini, the general manager, and Italo Gomez, the artistic director, the Teatro La Fenice in Venice has been responsible for a number of interesting initiatives; and several of them have concerned Puccini. Last *year, the Fenice staged* two versions of *Madama Butterfly:* the last, familiar version of the opera, as we all know it today; and the first *Butterfly,* which was so roundly booed at its premiere at La Scala in 1904. The comparison of these two texts sent many a Puccini scholar back to his books, to correct some of the inaccuracies that have been written about the extent of revision — it was considerable — of the opera after its debut.

Now another Puccini event at the Fenice may also cause some received ideas to be adjusted. In a new production by Giancarlo Cobelli, designed by Maurizio Balò, the Venetian house is presenting *La rondine,* perhaps the least familiar of the works of the composer's maturity. Written mostly during the First World War, this opera has generally been dismissed by Puccini's biographers as a failure. But, as this Venice production proves, it merits and rewards fresh consideration.

The story of its gestation has been told often, if not always accurately: originally Puccini was commissioned to write an operetta for a Viennese theatre, he accepted the assignment, baulked at the first libretto, then — apparently before he had actually done much composing — decided to write a bona fide opera. Of the original idea, he kept only the contract with Vienna and, perhaps as a kind of homage to that city's audience and to his friend Lehár, a number of waltz rhythms, though the operetta lilt is always tempered by a characteristic Puccinian wistfulness.

In the event, the opera — for war reasons — was first given in neutral Monte Carlo. For the most part it received respectfully enthusiastic notices, but at least one journalist, in L'Idea, condemned the frivolity of the premiere in wartime, in a period of social upheaval.

Cobelli's staging shifts the time of the action from the Second Empire to the period of *La rondine's* composition, and thus — especially in the last act — the war is ominously present. Having fulminated in recent *years against gimmicky productions* that alter libretto's settings and composer's stage directions, I must say at once that Cobelli's approach is brilliant and, on its own terms, successful. Most productions of *La rondine* underline its kinship with operetta, the sumptuous bourgeois luxury of Napoleon the Third's empire. Cobelli sets his characters in a stark, gloomy underground; their festivities and their *amours are unfolding on the* brink of the abyss.

Taking his cue from some words in the libretto, like "dream" and "spell," the producer has portrayed also a myth-like contrast, on the upper level of a divided stage. In the whole story, he sees a conflict between dream and reality, until, at the end, reality grimly conquers. I doubt that other producers will want to follow Cobelli in this idea of staging against the text, but they would do well to study it. His presentation of *La rondine,* is as important for what it leaves out as for what it includes.

The conductor Gianluigi Gelmetti seemed to concur in this unconventional view of *La rondine.* While he evidently and audibly delighted in the good Puccini tunes, he followed Cobelli in attenuating the work's occasional sentimentality and in rightly underlining the comic second plot, the grotesque love-affair between a poet and a maidservant. In the hectic dance music of Act Two, Gelmetti found an ironic edge, as at the mention of Paris, in Act One, he slyly underlined the brief fanfare.

On the night I attended the production, Sylvia Sass—who sang Magda, the swallow of the *title—announced that she would* appear despite indisposition. As so often happens in these situations, adversity seemed to inspire her. She sang with great control, but not without warmth and tenderness; she was a pensive, intelligent Magda, wonderfully affecting in the long finale of the piece. Ruggero, her lover, is rather a stick, and the tenor Vincenzo Bello's stolid mein was appropriate. His singing was *not thrilling, but it passed* muster. Andrea Martin was a sober Prunier (the Varville figure, who in this case gets the girl). More important is the part of Prunier, the poet, the raisonneur of the story; Max-René Cosotti was ideal, smooth and cynical, singing in a clear, true tenor. And Lisette, his soubrette partner, was charmingly done by Danela Mazzucato Meneghini.

Romanesque art at the Hayward Gallery

The Arts Council is holding one of its most important exhibitons for many years in 1984 when it presents English Romanesque Art, 1066-1200, at the Hayward Gallery, London, from April 3 to July 8.

Among the exhibits will be 80 illuminated manuscripts, including the Winchester, Lambeth and Bury Bibles; stained glass from Canterbury Cathedral and York Minster; sculpture from 40 cathedrals and parish churches; the ivory carving, the Bury St Edmunds Cross from the Metropolitan Museum, New York, and the Gloucester Candlestick, which is leaving the V & A for the first time since its acquisition in 1861.

John Bingham/Elizabeth Hall

Dominic Gill

John Bingham is an unostentatious, unflamboyant virtuoso pianist with lots of ideas. I liked his straightforward, undemonstrative way with the *Fantaisie op.49 which opened* his Chopin recital on Sunday—though some at least of the extreme dramatic unassertiveness of the performance can be put down to nerves, for nowhere later was there playing of dramatic music quite so introverted as in these opening pages.

The piano sonority was consistently beautiful. There were some odd pedallings: in the A flat Ballade, Bingham followed neither the unauthentic pedalling given by most editions *nor Chopin's own* original unconventional markings, but used a scheme of his own which made odd sense, for example, of the second episode. Detail was not always perfectly clear. The *presto* sections of the second Ballade were splendidly done: only a kind of missing alchemy, constraint, unwillingness to project, prevented them from being very exciting indeed.

None of his performances was less than intelligent and engaging: but none wove an irresistible spell. The quality which the playing most evidently lacked was charm—without any of that word's superficial or sentimental connotations but with all of its magic intact. One of the most magical moments of all the four Ballades is the dizzy, heart-stopping enharmonic shift of key and perspective from C major to A flat in No. 3, which Bingham passed over as if he really intended us not to notice it.

Unexpectedly, he seemed more vivaciously in tune with Liszt than Chopin—in Liszt's transcriptions of Chopin's Six Polish Songs op. 74, which are more Liszt than Chopin, and are not transcriptions at all, but grand re-compositions that transform their originals out of all recognition. Colours were brighter, pedalling clearer, and charm shone suddenly warm.

Autumn on Radio 4

A new Alistair Cooke series on jazz, a reassessment of the Presidency of John F. Kennedy, 20 years after his assassination, and a feature on George Orwell, as 1984 looms, are among BBC Radio 4's plans for the last quarter of 1983.

Classic serials include adaptations of Graham Greene's "Our Man in Havana," and "Sybil" by Benjamin Disraeli. Freddie Jones stars in a new thriller serial, "Story With Pictures", about the smuggling of Goya sketches.

BBC-TV's "Yes, Minister" transfers its soundtrack almost unedited, to Radio 4 in an eight week run beginning in mid-October. A documentary series "The Voice", on the professional way people use their voices, begins in late October.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

September 23-29

LONDON

Royal Opera House, Covent Garden: a marvellous mixture of out-of-the-way operas at the Royal Opera House – *the new double bill of* Stravinsky's Nightingale and Ravel's L'Enfant et les Sortilège (final performances), Berg's shattering Lulu in the brilliant if also finally unsatisfying production by Götz Friedrich conducted by Colin Davis, and a revival of Mozart's La Clemenza di Tito in the famous Royal Opera staging that has given new life to an opera once deemed cold and undramatic, with a largely new cast headed by Stuart Burrows, Doris Soffel, and the Bolshoi soprano *Makvala Kasrashvili* and conducted by Ivan Fischer.

English National Opera, Coliseum: the second new production of a richly promising ENO season is Wagner's early grand opera Rienzi, in a special "slimline" staging by Nicholas Hytner, conducted by the German debutant Herbert Esser, and led by Kenneth Woollam in the title role. Further performances of the new Ariadne on Naxos, conducted by Walter Weller, and the last of David Blake's uneven but rewarding Haitian operatic epic Toussaint.

Sadler's Wells Theatre: this week sees the first London visit by the Buxton Festival, who bring this year's programme. First piece on view is Vivaldi's Griselda, with Cynthia Buchan and John Mitchinson.

Royal Opera, Covent Garden: Makarova and Dowell perform in Ashton choreography as part of the Royal Opera's staging of Le Rossignol.

Bloomsbury Theatre, WC1: The Cramer Ballet from Sweden completes a week's season (Fri, Sat).

Sadler's Wells, Rosebery Ave: The Sadler's Wells Royal Ballet ends its season with performances of The Taming of the Shrew on Friday and Saturday, matinee and evening.

NEW YORK

Metropolitan Opera (Opera House): centenary season, for which special festivities will take place next month, begins this week with performances of Les Troyens, La Fille du Regiment and La Forza del Destino. Lincoln Center (580 9830).

New York City Opera (New York State Theatre): with the settlement of the musicians' strike to the satisfaction of management, an abbreviated season begins with Cendrillon, Turandot, La Bohème, Carmen, and Alcina. Lincoln Center (870 5570)

WASHINGTON

Joyce Trisler Danscompany (Terrace): a city favourite returns as part of a festival called Dance America, which also includes this week Maria Benitez Spanish Dance Company. Kennedy Center (254 9895).

WEST GERMANY

Berlin Deutsche Oper: on the occasion of this year's Wagner anniversary the Flying Dutchman is presented this week with Donald McIntyre in the title role. The Marriage of Figaro convinces thanks to Pilar Lorengar in the leading role. Further performances are Madame Butterfly and Don Giovanni, both sung in Italian.

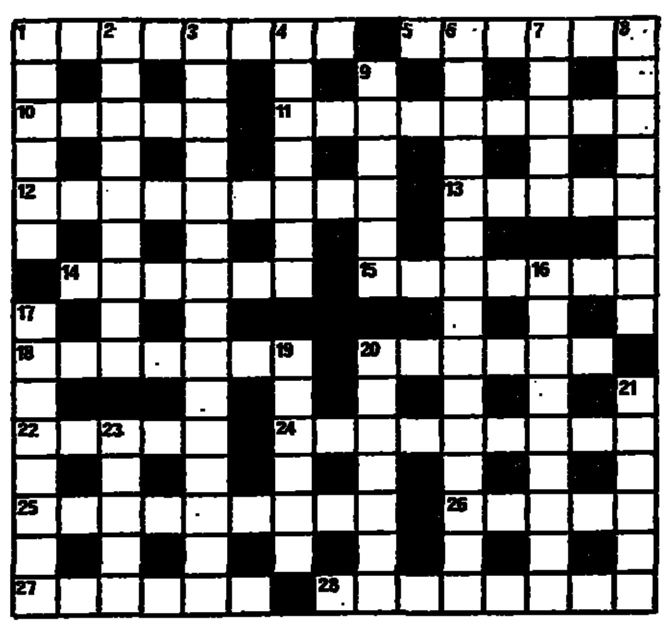
Hamburg Staatsoper: Hoffmanns Erzählungen has Beatrice Haldas famous for her Olympia. The Magic Flute has Martti Talvela and Daphne Evangelatos. Zimmermann's rarely played 'Die Wundersame Schustersfrau' rounds off the week.

Frankfurt Opera: Manon Lescaut has brilliant Nelly Miricioiu in the title role. The first premiere this season, Der Freischütz, has Walter Raffeiner in the part of Max. Die Entführung aus dem Serail is a fresh and delightful revival.

Cologne Opera: premiering this month is Elektra. Munich's opera director August Everding introduced himself to the Cologne audience with this production. Gwyneth Jones, Hermann Winkler and Helga Dernesch are also making their debuts. Don Giovanni is cast with Norma Sharp and Hans Proschka.

Munich Bayerische Staatsoper: This week starts with Die Lustigen Weiber von Windsor featuring Lucia Popp and Wolfgang Frendel. Werner Egk's Peer Gynt, produced by Kurt Horres, brings together Scheril Studer and Hermann Becht in the main roles. Schoenberg's Moses und Aron is reintroduced to the programme this season. This week's highlight is Don Giovanni, sung in Italian. Cast with Judith Beckmann and Franciso Araiza.

F.T. CROSSWORD PUZZLE No. 5,227



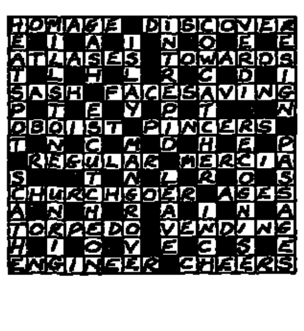
ACROSS

1 Drink for a chimney-sweep (8)
5 An accountant joins 8 intelligence to meet Robinia (6)
10 Some provide a lunch that's just right (5)
11 Showing of Patience (9)
12 Ambitious pilot? (4-5)
13 Quarter mile negotiated to reach something fragrant (5)
14 Doctor got up looking severe (6)
15 Employees don't start making tea in silk material (7)
18 It could count as effort (7)
20 At one time name to stir up (6)
22 Student goes to Purbeck perhaps to get yarn (5)
24 Many intended to get a share it seems (9)
25 Whole amount is given to Queen on racecourse (9)
26 Lincoln entertains party in dried brick house (5)
27 Officer changes leader of oil carrier (6)
28 Support while driving puts boss at ease (8)

DOWN

1 Trifling deception some might say (6)
2 As 24 becomes if not tended (9)
3 Unexpected event while on board? (6, 4, 3, 4)
4 Room in the Parisian network (7)
6 Anathema in the Highlands for one of the pack (5, 2, 8)
7 Once a form of transport (5)
8 A man accepts boy such as Edgar Allan (8)
9 County that initially produced wine (6)
16 Keats changed for dinner sometimes (9)
17 One to carve out a career like Canova (8)
19 Not dense — boxes with energy (6)
20 General fault to expatiate (7)
21 Way good man takes in Sir Herbert (6)
23 Notes turned up to get the thread (5)

Solution to Puzzle No. 5,226



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Tuesday September 27 1983

Micawber at the IMF

THE International Monetary Fund has never held an annual meeting in unhappier circumstances. For the first time in its history, it has had to close its window to loan applicants, because its funds are wholly committed.

The Group of 10 are withholding a projected $3bn (£2bn) bridging loan (and effectively blocking the same sum again from the Saudi Arabians) because they want to concentrate the minds of the U.S. Congress on the urgent need to ratify the already agreed increase in IMF quotas. Given the deeply unhelpful mood of Congress, which is dithering over the ratification and attempting to attach quite unacceptable conditions to it, this is rather like trying to enforce pressure through threats of suicide, but it is probably the best that can be managed. The Fund, like Mr Micawber, must simply hope that something turns up.

In this state of affairs, which could still develop into what Polonius might have called a most farcial tragedy, it seems worth restating just what is at stake in the effort to win a secure and orderly future for the IMF. Despite the current dramas about bridging loans, quotas, and borrowing rights, the money is not the most important issue; no proposal on the table would come near to giving the IMF enough resources to "solve" the problem of international debt. As long as the Fund is essentially lead manager in a series of refinancings, the exact size of its own potential constribution is not a matter of life and death.

Co-operative

What is essential is that the Fund should have enough clout—the political clout is just as important as financial weight—to carry on with this lead role, for it is the one multinational institution with the breadth and resources to do it, despite the imaginative interventions of the Bank for International Settlements. Failing a multinational approach, it would be a matter of weeks or even days rather than months before the bilateral haggling set in.

The Fund, which is constituted as a kind of financial co-operative, has even-handedness among its members as its fundamental operating rule; and however much members may complain about the conditions attached to IMF support, they remain in membership. They can and do preach greater generosity to richer members, as a form of enlightened self-interest, but they remain members themselves.

Thus the efforts of the U.S. Administration to enforce tighter restrictions on the Fund's operations are controversial, but within the rule. The efforts of Congress, however, to attach discriminatory amendments to the Fund's rules, barring Communist or racialist regimes from the benefits of membership, are potentially fatal. It is deplorable that the Administration has not tried harder to explain these facts to Congress and to the American people; statesmanlike speeches at the annual meeting are no substitute for political action ahead of it.

Criticism

None of this is intended to imply that the Fund itself and its operations are above criticism. It has fulfilled a vital role in buying time for a more measured approach to the debt crisis. Its success in dragooning exposed banks into maintaining their exposure — learning a sharp lesson from its experience in Turkey, where Fund finance was promptly syphoned off—has been central to this achievement. At the same time the Fund can be held partly to blame for the depth of the crisis, though in a minor sense, because it did not assert loudly enough during the era of bank recycling that the credit structure being created was rickety, and the pressure for real adjustment far too small.

More important, the Fund has not played much part in fostering discussion of long-term solutions; indeed, it seems positively to obstruct discussion of debt restructuring, preaching a philosophy which, like its present circumstances, recall Mr Micawber: "Income Twenty pounds, expenditure Twenty pounds, ought, and six; result, misery."

Although the Fund argues that this approach is a simple matter of realism, and that the adjustments it demands are aimed to limit expenditure to the available finance, this is too narrow a view.

First, different forms of outside capital—fixed interest, floating interest, indexed, and equity—carry very different levels of risk and of obligation. Secondly, many debtors have very large potential resources in which foreign capital might be invited to participate. Thirdly, some of the pain of adjustment to reality will almost certainly have to be borne, sooner or later, by creditors rather than debtors, in the form of moratoria or partial write-offs. As one critic has trenchantly pointed out, a debt problem can hardly be said to be near solution when the real burden and the real interest rate are higher after the solution than before it.

The tragedy is that no progress with these central issues—or even with the question of IMF access to market finance as borrower rather than simply as orchestrator—can be hoped for in the present uncertainty. For that, the U.S. is to blame.

A surfeit of grants

NOT SO long ago a leading Tory politician had this to say about industrial (and, by implication, regional) policy:

"One man's subsidy is another man's penalty, so he shouts for a subsidy, too. If you give vast grants and subsidies to some new factories, you are making life difficult for the rest, the more so if you tax them to pay for the lucky ones. So in this way more and more firms can be forced to turn to government for help, which hardly helps self-reliance."

The words are Sir Keith Joseph's and while they date from 1975 their point is no less apposite in the light of the outcry in the West Midlands over Lucas Industries' decision to take a £35m high technology investment programme to South Wales. Unlike the West Midlands, South Wales is a development area; the investment will thus qualify for additional government support, as well as being eligible for technology related grants.

Structure

On the face of it there appears to be a contradiction here. It is instructive to ask in what respect the present Conservative industrial policy differs from that of the last Labour Government after the departure of Mr Benn from the Industry Department.

No doubt the Tories could argue that the whole structure of subsidies under Labour operated primarily as a social support system. As Sir Keith implied, dependency via subsidies became a way of life for British industrialists who rarely went to the wall in 1974-79 provided they were big enough to raise the spectre of lost jobs, with consequent potential for lost votes.

Outside the lame duck sector, grants became a substitute for more contentious forms of intervention in industry. As the will to impose dirigiste solutions began to wane, an escalation of the subsidy race seemed a convenient, vote-winning approach to industrial and regional policy.

Nobody, in contrast, could accuse the present government of running a comparable social support system for lame ducks, or claim that Mrs Thatcher has balked at contentious decisions affecting industry's survival.

Diluted

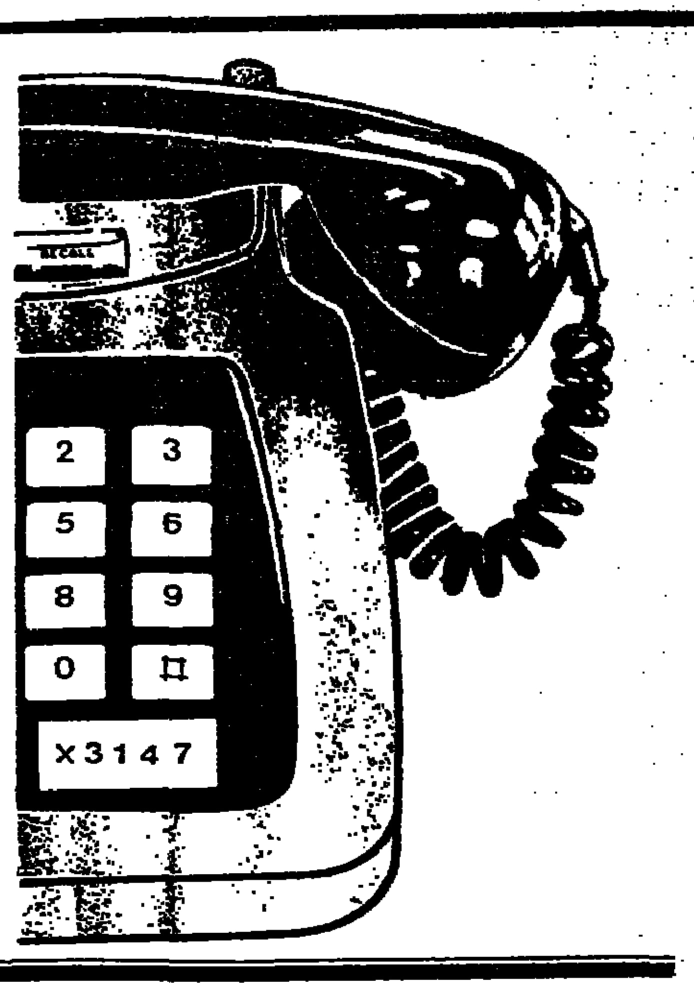
But given the Government's apparent radicalism and the lack of serious parliamentary opposition, why is the Industry Act structure, though partly pruned, still in being? And why are ministers at the new combined Department of Trade and Industry going through verbal gymnastics to justify a Labour-style policy of backing high technology "winners," with all the risks that this entails?

The fact is that the rationale for such an approach has been diluted. And the government now confronts, in the West Midlands, a contradiction that will not go away. Meantime civil servants are considering patchwork solutions, such as more specific targetting, which boils down to a more modest version of the discriminatory principle that Sir Keith Joseph attacked. More selectivity has also been canvassed, which in practice means executive discretion and thus uncertainty for industry.

Nothing better illustrates how pressure on public expenditure becomes self-generating. And the irony is that in Lucas's case the grants appear not to have been a crucial factor in the investment decision. Here, then, is the case for outlining both a radical and a Tory policy in the White Paper on regional policy that is due later this autumn.

The sale of British Telecom

BT: the 51 per cent solution



Guy de Jonquieres and **David Freud** examine the issues raised by the £4bn privatisation package

THE countdown has begun for one of the biggest transfers of public assets to private hands ever made anywhere in the world — the stock market flotation of 51 per cent of British Telecom (BT).

The planned sale — which the Government hopes will realise around £4bn — raises a mass of thorny issues which are already deeply pre-occupying Whitehall, the City and BT itself. Solutions must be found quickly if the shares are to be sold in about a year's time, as the Government timetable dictates.

The Government believes that privatisation will inject fresh dynamism into BT's commercial performance by substituting the discipline of the stock market for the yoke of Whitehall control. "I'm in the business of opening the doors of cages," says Mr Kenneth Baker, Minister for Information Technology at the Department of Trade and Industry.

But the nature of the beast which he and his colleagues will be leading to market is far from clear. They must yet take a series of critical decisions, in which a delicate balance will have to be struck between maximising the sale proceeds and the broader objectives of telecommunications policy.

Among the key questions are:

- How far will BT continue to dominate Britain's telecommunications market?
- Will BT look like a pedestrian utility, attractive mainly for its dividend yield, or more like an exciting growth stock with big potential for capital appreciation?
- What will be the impact of the new regulatory framework, designed to ensure that BT acts fairly towards both its customers and its competitors?
- Who will buy shares in BT and how will the issue be structured?
- Will a privatised BT be more—or less—likely to benefit the rest of Britain's telecommunications industry?

BT is one of Britain's largest industrial enterprises, with more than 240,000 employees, a turnover last year of £6.4bn and net assets valued on a historic cost basis at £9.3bn. It reported profits of £365m, though the figure would have been nearer £1bn if it had not applied supplementary depreciation of more than £600m.

The organisation dominates almost every aspect of Britain's telecommunications industry except manufacture of equipment, for which it is by far and away the country's biggest customer. In spite of the Government's liberalisation programme, launched two years ago, it still faces no serious competition in its major businesses.

Mercury, the privately-owned consortium licensed to operate

A massive network burdened with obsolete equipment

a rival communications network, is still in its infancy. Though the Government has acted to curtail BT's former monopoly over subscriber equipment and services, the organisation's extensive distribution channels and marketing muscle give it a powerful advantage over potential competitors.

But BT faces some big obstacles, which may take years to overcome. While it has taken some long overdue steps to install proper management and financial controls since Sir George Jefferson became chairman three years ago, it still suffers from a deeply-ingrained bureaucratic attitude among middle management and from

Obstacles, which may take years to overcome

a legacy of under-investment.

Its network is the fourth or fifth largest in the world, but is burdened with huge amounts of obsolete equipment — some of its exchanges are as much as 40 years old. It is trying to speed up its modernisation programme but still lags behind many of its European counterparts: its investment on a per capita basis last year was just over half of that in West Germany and only two-thirds of that in France. Its recent problems stem less from lack of funds than from the practical difficulty of speeding up delivery and installation of modern equipment it needs.

The Government recognises that once BT is cast loose from the public sector, a new regulatory mechanism will be needed to prevent it from abusing its de facto monopoly. The exact way in which the mechanism will function has yet to be decided and is a key issue for BT management, competitors, prospective investors and consumer groups alike.

The first clear indication of the Government's intentions is expected later this year, when it issues a licence setting out the terms on which BT may operate. Its main provisions will include the obligations on BT to continue unprofitable but socially desirable services, such as call boxes and 999 calls, and the conditions for inter-connection between its network and those of its competitors.

The Government will also be relying heavily on another, novel method of regulating BT by imposing price constraints during the first few years of private ownership. The method, originally proposed by Prof Stephen Littlechild, a UK telecommunications economist, will keep annual tariff increases on a variety of BT services below the inflation rate.

Decisions have yet to be taken on the services to which the formula will apply and on how far BT's permitted tariff increases should be pegged below the rise in the retail price index.

Much will depend on how effectively the new rules are enforced by the planned Office of Telecommunications (Oftel), which will become active once the Telecommunications Bill becomes law next year.

Oftel will be empowered to monitor competition — and particularly BT's behaviour—and to direct offenders to stop abusive practices. But it will have a staff of only about 50 people, and the choice of its director-general will probably be critical in determining how energetically it pursues its role.

BT and its prospective new owners would clearly prefer the lightest possible regulation, so that it can present itself as a high-flying company in a growth industry with good long-term profits potential.

It also wants a clean balance sheet and is urging the Government to write off before the sale much of its £3.4bn long-term debt. Unless that happens, BT will have to indebt itself still further to fund dividend payments, interest charges (which totalled £540m last year) and capital expenditure (£1.6bn last year). Also overhanging the balance sheet is a massive £1.3bn pension liability, which BT wants eliminated.

If BT wins the argument, it could comfortably afford to pay out dividends of about £450m, while investors would probably be satisfied by a conservative 5.5 per cent yield—rather above the market average. That would seem to imply a value for the whole company of about £8bn, though only very rough estimates can be made at this early stage.

Because of its sheer size, the more attractive BT looks to investors, the more difficult it will be to dispose of its shares. An obvious solution would be to split it up, as is happening to American Telephone and Telegraph in the U.S., and sell parts of it separtely. The Government seriously considered this option last year but rejected it after intensive lobbying by BT.

HOW BRITISH TELECOM COMPARES

	British Telecom	American Telephone and Telegraph*	France†	West Germany†
Revenues 1982	£6.4bn	$65.1bn	Frs 53.7bn	DM 27.9bn
In $ at 31.12.82 rates	$10.3bn		$8.0bn	$11.7bn
Cap. investment 1982	£1.6bn	$16.8bn	Frs 27m	DM 11.1bn
In $ at 31.12.82 rates	$2.6bn		$4bn	$4.7bn
Employees, end 1982	246,000	822,000	164,000	188,000
Subscriber lines, end 1982	19.4m	84.7m	19.5m	23m
Employees per 10,000 subscriber lines	127	97	84	82
Revenues per employee ($)	4,200	7,900	4,900	6,200
Cap. investment per subscriber line ($)	133	198	205	204

* AT&T Long Lines and Local operating companies only.
† Telecommunications operations only.
FT estimates

Though favoured by the Prime Minister, a break-up was judged impractical, not least because of the problem of finding buyers for BT's unprofitable parts. It would also have: (1) risked substituting a string of local monopolies for a national monopoly; (2) diminished BT's ability to compete on a world scale, as the Government wants; (3) infuriated BT's main unions, which are already angry about privatisation; and (4) been difficult to achieve because of BT's lack of detailed information about its own operations.

Ministers and BT want to sell the whole 51 per cent interest

'Marks and Spencer role' envisaged with manufacturers

in one go, to avoid an awkward period of transition to the private sector. But the UK market alone would almost certainly be unable to swallow the entire issue at a single sitting. British institutions added only £2.5bn of equities to their portfolios last year.

As a result, the Government has already started to cast its net overseas. It has made overtures to Japan, which received a puzzled and negative response, and is currently making a major effort to woo Wall Street. The British merchant banks handling the issue have hinted that they hope to dispose of as much as half of it in the U.S.

However, American institutions are largely ignorant about BT and will probably need a good deal of convincing if they are to absorb more than a token amount of the issue. Their initial prejudice is to view it as a utility.

The Government could risk political embarrassment if a large chunk of BT were sold to overseas buyers. The inherent trickiness of valuing the shares means that there is a more than even chance of the price rising sharply on stock exchanges after trading begins. If that happened, the public outcry over Wall Street profiteering at British taxpayers' expense could make the furore over last year's flotation of Amersham International look like a vicarage tea-party.

An alternative is to sell BT in several tranches, possibly three over the same number of years. But this approach also has its problems. The institutions would be reluctant buyers of the early tranches because they would know that more of the same stock was to be unloaded on the market later. Some more exotic options have also been mooted, such as giving preference to BT subscribers or buyers of special gilts issues. But few of these seem practical or of much more than marginal value.

It is too soon to say how—if at all—privatisation will affect BT's business strategy. It has already responded to liberalisa-

The Government has set itself ambitious targets

tion by starting to re-align its tariffs more closely with costs so as to reduce the subsidy from profitable long-distance and international services to loss-making local calls, by dividing its major businesses into profit centres and by expanding its marketing effort.

BT seems certain to remain the dominant distribution channel for subscriber equipment and services for many years to come. Senior managers claim that its enormous buying power will enable it to foster the development by British companies of new products and services which can be sold internationally. They argue that it can play a similar role to Marks and Spencer, the British retailing chain which has established close links with a wide range of UK manufacturers.

It remains to be seen whether this patriotic vision can withstand the pressures which a privatised BT will face to maximise profits. So far, the Government has massaged the liberalisation rules to ensure that most of the telecommunications products approved for competitive supply are made in the UK.

Yet it may be difficult to maintain this favouritism for much longer, and both BT and its principal suppliers have a long way to go before they match Marks and Spencer's standards of quality and price. Only last spring, Sir George Jefferson publicly castigated the performance of UK telecommunications manufacturers and hinted that unless it improved dramatically, BT would buy more from overseas suppliers.

It seems unlikely that BT will start manufacturing itself. It is not keen to shoulder the extra costs and management responsibility, and its own studies have convinced it that there will be much less money to be made in the future from making electronic equipment than from designing software for it and marketing it.

The Government has clearly set itself extremely ambitious targets. It wants a world-class national telecommunications industry; a genuinely competitive home market; a more efficient and commercially aggressive BT; satisfied telephone subscribers, and the maximum price for its BT shares. Reconciling so many different objectives will be no easy task.

Men & Matters

Eyebrow power

Sir Percy Cradock will provide an interesting contrast to Sir Anthony Parsons, the man he is to succeed as Mrs Thatcher's in-house foreign affairs guru at 10 Downing Street.

Where Sir Anthony tends to be forthright in his dealings Sir Percy never uses two words where one will do: and, if he can help it, he uses none at all.

Where Sir Anthony is an enthusiast with a strong sense of humour and a bon vivant, who in his earlier years as an army officer in Trans-Jordan was given to duelling in the mess with bottles of champagne, Sir Percy is donnish, immaculate—indeed a prototype Foreign Office Mandarin.

Sir Percy's handling of the current negotiations with China over the future of that rather nervous colony, Hong Kong, has won admiration both from his colleagues and from the Chinese who see him as a tough, shrewd, and skilled diplomat.

He has the unnerving habit of raising an eyebrow as a sign of displeasure which, his colleagues say, can be as effective as if he had banged a fist on the table—something it is hardly possible to imagine him ever doing, by the way.

In the past two years the regime of Deng Xiaoping, which Sir Percy has been watching from the walled compound of the British Embassy in Peking, has appeared to be in trouble from time to time. Sir Percy has bucked the trend, however, forecasting that all was well. So far he has been proved right.

His experience is predominantly in China and in East-West relations — which suggests that Mrs Thatcher sees the talks over Hong Kong, and relations with the Soviet bloc, as the dominant foreign policy issues now that the Falklands campaign is over.

Before becoming ambassador in Peking in 1978 Sir Percy, who will be 60 at the end of October, served as British envoy to East Germany. He was also leader of the UK team at the comprehensive test ban discussions at Geneva.

Racing cert.

Election specials, as known and loved in Europe and North America, are less a part of the democratic process in Africa.

Nevertheless, Kenya has just taken a significant step towards electronic election coverage. An enterprising Nairobi company, with the co-operation of the government, has set up shop temporarily in a city hotel and is offering, "Kenya's first computerised election results service."

For £7.50 customers are promised an up-to-date computer analysis of all results of the national elections which took place yesterday.

What will not be available, however, is the percentage swing for or against the government. Kenya is a one-party state and I confidently predict another five years for President Daniel Arap Moi and his Kenya African National Union Party.

Pounds shrinker

With the portable computer maker Osborne going bankrupt, and its bigger sister Apple in heavy water for the first time since setting the microcomputer pace in the 1970s, California's silicon valley is no lotus garden these days.

Allen Michels, founder and president of the three-year-old company Convergent Technologies, is as worried as the other bosses. Convergent's sales mushroomed from $350,000 to $96m between 1980 and 1982. However, last month the company's growth slowed abruptly as customers held back on orders for the current product line.

Michels has reacted by instituting an austerity programme. It starts by catching the six top executives with a 50 per cent pay cut. The next step is to rank employees—with a view to dismissing non-performers. "We aim to eliminate the bottom 10 per cent," says Michels.

No one can suggest, however, that Michels is not backing up his words with actions. He has promised to match the company's percentage savings in expenses with a similar percentage loss in his personal weight.

He argues that his own health and the health of his company will benefit in tandem.

Kinnock ready

Some of the preliminaries to the famous victory at Brighton next Sunday when he will be appointed leader of the Labour Party are engaging the attention of Neil Kinnock.

He appeared in solitary splendour on the manicured lawn in New Palace Yard, Westminster, yesterday to be photographed in a variety of poses with Big Ben, Westminster Hall, and other well-known features of Parliament appearing prominantly in the background.

Kinnock showed a clear preference for being photographed with his arms folded. The psychologists may read something into that—but now that he has a commanding lead in the leadership contest he need not worry about keeping his fingers crossed.

Unobserved

Switzerland's unique status as a privileged non-member of the International Monetary Fund has been underlined once again during this year's proceedings.

Normally the annual meeting of the IMF is attended by a varied crew of "observers," such as development banks and UN related institutions, and Switzerland.

This year all that has come to an end. Even the European Economic Community delegation, which has observer status at the policymaking Interim Committee of the Fund, was packing its bags last night for home ahead of the annual meeting proper which starts today.

Behind the decision to cut out observers apart from Switzerland lies the unseemly wrangling which began around 1979 about Arab attempts to get the Palestine Liberation Organisation a seat as an observer.

The issue had virtually disappeared by last year's Toronto meeting of the IMF. But just to be on the safe side it was felt that the best thing to do was to eliminate all but one (rich) observer for the future.

No story

A thief who stole a replica of The Challenge 1983, a limited edition book on the America's Cup from an inn at Newport, Rhode Island, at the weekend thought he was getting a souvenir of the great event worth $1,000.

Unfortunately for him the book is still being written, and all he gained was a leather-bound binding and souvenir case.

A team of eight international experts on 12 Metre racing is still completing the 300-page book.

Only 1,000 copies will be printed for the world market. Copy number one is to be auctioned in New York in aid of UNICEF.

Observer

Letters to the Editor

Unitary tax for multinationals

From Mr T. Taubeneck

Sir,—Your editorials (September 19 and 26) on unitary tax rightly underscore its new importance but raise far more questions than they address or answer.

It's true that a few American states impose this extraterritorial income tax, and that its recent approval by the U.S. Supreme Court suggests it may shortly be somewhat more widespread—although it has been common enough for decades, and can be dealt with if one takes care.

Time and space do not permit a full *explanation of all the* issues, nor an analysis of the implications for company operations in the U.S., relations between the U.S. and UK and/or fiscal policies of other countries toward multi-national companies.

Suffice it to say that the court's decision turned on a distinctive question of U.S. constitutional law regarding our unique federal system, so there is very little Mr Reagan can do about it unilaterally, regardless of protestations made by your own Government, and Congress has been consistently unwilling to act because of pressure from the states.

Accordingly, the complex issues of national/state relations may not be resolved in a manner acceptable to foreign governments, which may then feel compelled to retaliate, for example by upsetting existing tax treaty relations to the detriment *of* all business. Your paper (September 23) mentions "retaliation" in this context, and that could be most unfortunate.

As a former president of an international trading company and as an American tax lawyer I know that many of the problems *created* by "unitary tax" can be eliminated or minimised by *careful* tax *planning. Hopefully* such planning, plus moderation on the part of governments here and in the U.S., will minimise the disruption caused by conflicting governmental policies.

T. D. Taubeneck
Wald, Harkrader and Ross,
24, Upper Brook Street, W1.

From Mr J. Liddiard

Sir,—It is somewhat ironic that I write to disagree with Frances Stewart (September 22) who urged the adoption of unitary tax. The company for which I work has actually had its Californian tax reduced under the unitary system.

The argument that unitary taxation produces a consistent system of taxation applies only in Utopia. Any system of taxation that allocates profits on a rational and uniform basis must be acceptable to any taxpayer. To believe however, that the conflicting requirements of Governments to raise revenue would result in such a uniform application – is, with respect, simplistic. The inconsistencies apparent in the present system would also be mirrored in any system of unitary tax.

It has taken over 40 years to establish the present limited system of double taxation treaties, all of which are based on the *arms-length* system of allocating profit amongst nation states. In describing the superficially attractive merits of unitary tax, Frances Stewart ignores the practical problems inherent in its implementation. The basis of calculating profits under any system of taxation is a series of compromises and this is especially so with regard to unitary tax. California chooses to measure profits based on three factors—labour costs, property values and sale prices. It is no mere coincidence that labour costs and property values in California are amongst the highest in the world. If a *developing* country were to adopt unitary tax, it would be unlikely (and self-denying) to use these factors in the calculation for profit "attributable" to its territory. California's factors are designed to allocate profits to high wage, high cost economies. The adoption of different factors and the difference in weighting given to the factors would inevitably result in a world-wide system of tax that, manifestly, would not result in a "consistent basis for unitary taxation." It is unrealistic to expect a Government in a developing country to adopt a system of taxation which would reduce its revenue.

Even within a state itself, unitary taxation can cause a distorted burden of taxation. If a multinational were to start up a new business in a state, it could expect to incur losses in those early years in which it was developing the business. The existence of a similar, but profitable, business outside that state, however, would cause profits under the unitary system to be attributed to the state and taxed there. This would contrast with the position of another resident who also incurs start-up losses but who does not earn any profits outside the state and, consequently, would not pay any tax. It is difficult to ascertain what logical argument can be put forward to support such a capricious outcome.

Frances Stewart accuses multinationals of manipulating profits thus putting poor countries at a severe disadvantage. My experience is that the vast majority of multinationals do no such thing. For those that do, the solution is not to abandon the present system but to apply it more effectively. It is the application of the present system not its basis that Frances Stewart should attack. Countries with a "weak administration" (as Frances Stewart phrases it) might even fail to apply unitary tax properly.

It is interesting to note that when California realised that worldwide unitary taxation caused my company to reduce its taxation, it then claimed that our non-U.S. businesses were not unitary with the Californian business and wishes to go back to 1971 to recalculate our profits.

If the major proponent of unitary tax does not apply the system within its own borders in a uniform manner what hope is there that there can be any agreement between countries?

John Liddiard.
41 St Andrews Road,
Coulsdon, Surrey.

Splitting BL into tiny units

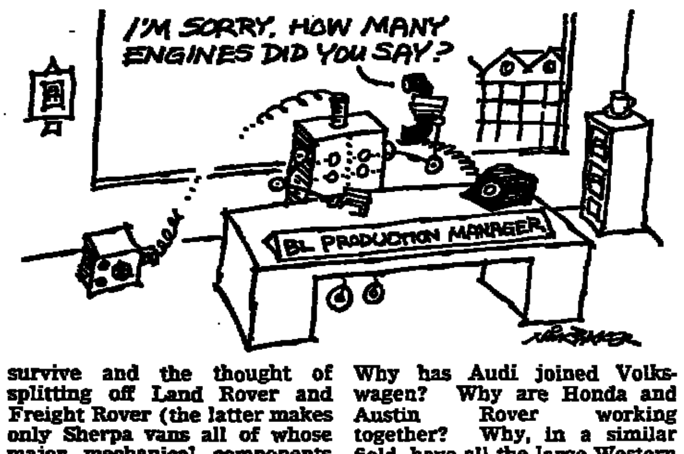
From Mr D. Dale

Sir,—Mr Cecil Parkinson recently inspected one or two BL factories and met senior BL managers in connection with government plans for the privatisation of certain "product companies" established within BL for the purpose. I am wholly in favour of the introduction of private capital into BL, but to split it up into what are tiny units by motor manufacturing standards is foolish in the extreme.

The costs of design and development of a new model, and even of a new engine or gearbox are now so enormous that these insignificant companies could not possibly bear them. Jaguar, in spite of its recent very creditable performance, is still much too small to survive and the thought of splitting off Land Rover and Freight Rover (the latter makes only Sherpa vans all of whose major mechanical components are car-sourced) is ludicrous. The base of the Unipart business is still the distribution of the "tied" parts for the product companies which might well decide to do this by other means. Leyland Vehicles now makes excellent trucks (there is now no need for any British user to buy foreign vehicles on account of quality) but its main trouble is a lack of volume. In the last "good" year of the British truck market, Leyland made 28,000 trucks while Mercedes made 128,000. There is indeed little mutual support between trucks and cars so far as sourcing of components and assembly are concerned, but the commercial vehicle distributors are often better at selling "panel" vans than car distributors and this is a valuable link.

Apart from shortcomings on the production side, a major *omission of the BLMC era was* an almost complete failure to rationalise components across the car manufacturing companies. The ultimate in this was the design and development of a new three litre engine for the Triumph Stag which never went into any other model! Rationalisation has gone a long way since then, but it can go still further. For example, a new engine could be used for a Jaguar model and for a future Rover or Rover/Honda. Land Rover and Freight Rover should not think of producing their own engines in the future, but should take them from Austin Rover.

Would Ford set up a separate company to produce the Transit van? Would Mercedes, Fiat, Renault, Nissan give such a proposition a second thought?



Why has Audi joined Volkswagen? Why are Honda and Austin Rover working together? Why, in a similar field, have all the large Western aero-engine makers, including Rolls-Royce and Pratt and Whitney just announced a joint design venture for the next generation of engines? European and foreign competitors must be rubbing their hands at the prospect of the dismemberment of BL.

If the Government persists in this policy, I hope that the potential buyers of the shares will realise that they would be buying a pup, a pup that could never survive amongst a pack of hungry wolfhounds.

After all the trauma that has been suffered already, what is again at stake is the survival of the only British owned motor manufacturer of national significance, and the component industry that goes with it.

D. H. Dale,
97 Hilderstone Road,
Malt Heath,
Stoke-on-Trent.

Outsiders on the inside

From Mr N. Stacey

Sir,—The appointment of "outsiders" to companies has gathered force recently when several of them were placed on the board of Lloyd's of London. This development is part of the information revolution which instructs that, increasingly, most people's business is becoming most people's business—or nearly so. The participation of outsiders often makes for more and better informed judgement by supplementing routine thinking and accepted wisdoms. Organisations working in areas of public interest are likely to benefit particularly from the counsel of non-executive outsiders.

The appointment of outsiders as advisers to public company boards has a long history and gained wide currency in more recent years. The time may now be propitious therefore, to examine opportunities for introducing "outsiders" on councils, courts, or boards or professional or trade bodies, irrespective of their origins which may be enshrined in Royal Charters or in the Companies' Acts. A significant contribution by outsiders awaits to be made in institutions and societies so as to be able to deny Bernard Shaw's maxim that—"all professions are a conspiracy against the laity." If the accountancy bodies had outsiders on their councils, I wonder if the unity of the profession might have been accomplished earlier? Outside council members might usefully contribute to the lawyers and accountants' deliberations on the delicate question of marketing their professional services.

"Outsiders" purvey fresh ideas or look at old ideas in a different way; they are also in touch with worlds different from those of practising members of institutions. The appointment of outside advisers invariably results in the disclosure of more and better information and in its wider dissemination; such a step would help to gradually reduce opportunities for misunderstanding all round. It would alsso add a new dimension in mutual understanding.

Nicholas A. H. Stacey.
Reform Club,
Pall Mall, SW1.

Middle class machismo

From Mr R. Graffley-Smith

Sir,—As the date of the annual conference approaches, certain factions in the Tory party as, as usual, seeking to influence the style of motions for debate, by regenerating argument in the Press. "Law and order" and "the rating system" stand out. The former may be regarded as a useful pressure release valve for the pent up fulminations of the choleric Right. Debate on the latter, however, still tends to suffer from inadequate venting of the same pressure group. Tory councillors who venture into this maelstrom of middle-class machismo, inevitably return bruised and battered, wondering if they belong to the same party.

They should not be discouraged from taking a leaf from the Prime Minister's book and endorsing the findings that TINA applies as much to the rates as to economic policy. Much has been made of the White Paper claim that only 35 per cent of the voters actually pay full rates. The traditionally low turn out in local elections of around 40 per cent leaves the democratic process fully at the disposal of a highly motivated 35 per cent whose condition has variously been described as "wretched" and "skinned alive."

Every country in the Western world has a property tax of some sort and it is inconceivable that government of whatever hue would forever abandon such a clear cut method of raising money. The right to control revenue, subject to the sanction of such electorate as turns out, is the essence of local government accountability. The volunteers who make up the body of elected councillors would see little purpose in being merely distributors of government subsidy. Such quangos are drawn from a different covert. Conservatives are better advised to pursue their philosophy of the property owning democracy through the sale of council houses than to set about destroying one of the few remaining bastions of defence against the creeping centralisation of the powers of the state.

Roger Graffley-Smith.
4 and 6, Copthall Avenue,
Moorgate, EC2.

A lender of last resort

From Mr A. Magee.

Sir,—Samuel Brittan's article (September 8) supporting Prof Lipton's proposal for a lender of last resort is a timely reminder of the need for some kind of controlling intervention in the world credit markets by a recognised central authority. A lender of last resort, however, is only half the story and is only seeking to provide a remedy for the present debt problem rather than looking for ways to prevent future recurrences.

The role of the central authority should be to smooth cyclical changes in international lending and borrowing needs. It is generally recognised that the rapid accumulation of debt in the last 10 years (demonstrated by the graph accompanying Mr Brittan's article) has been due mainly to two factors — Opec surpluses and low demand for capital in the developed nations because of the recession. This increased the supply of credit to the developing world which welcomed it gladly. Country borrowers cannot be expected to impose limits on their borrowing which should theoretically have the same growth rate as their exports. This excess supply could have been absorbed by the proposed central authority, thus allowing third world debt to grow steadily, and then released later when the customary famine follows the feast of lending.

The solution to the problem of international debt must be a co-ordinated one which embodies both the supply and demand aspects of credit. A recent paper by Dr Shelagh Heffernan of the City University Business School which develops a general model of the supply and demand for sovereign loans would appear to be the first attempt to provide a basic framework for the whole international lending process.

A. D. Magee.
4 Springpark Drive,
Beckenham, Kent.

Pensions and early leavers

From the Chairman,
Martin Paterson Associates

Sir,—Mr Baker (September 22) can see no reason why an employer should be expected to "inflate" the pension of an outgoing employee and makes the familiar claim that to do so can only cause a considerable increase in cost, perhaps at the expense of the remaining members.

In fact, what has been proposed is not so much to inflate these pensions as to provide some protection against their shrinking until they become only a miserable relic of their former size by the time the first payment is due. To do this costs no more than it would cost if we had no inflation at all. And in these circumstances Mr Baker would surely not suggest that frozen pensions be trimmed back each year?

When looking at the matter, one important fact is often overlooked: namely, that inflation itself creates, at least in large degree, the means for preserving the value of these pensions, and in that sense, as I have already implied, it does not cost more to stop frozen pensions melting away.

Martin Paterson.
10 Buckingham Place, SW1.

The intrinsic value of gold

From Mr M. Coulson

Sir,—In the gold survey (September 21) your Commodities Editor says that the metal "still has an intrinsic basic value, founded on the rising cost of extracting new supplies from deep below the earth's surface."

In the June quarter, the average cost of production of the South African mines varied *from* below US$200 to almost US$600 an oz. With variations like this, how can mining costs alone determine the intrinsic value of gold, any more than they do of diamonds? True, no company can in the long run produce profitably at a price below its marginal cost; but to extend this elementary principle into a general market theory is absurd. If gold has an "intrinsic" value, it is surely that price at which output would equal "industrial" demand: in other words, the price at which supply and physical demand would be in *equilibrium. Production costs* are only one part of any theory of value; and, I suspect, a much smaller part for gold than for most commodities.

Michael H. Coulson.
Laing & Cruickshank,
Piercy House,
Copthall Avenue, EC2.

The market is ruled, OK?

From Dr D. Pollard.

Sir,—Are we to expect the anticipated reduction in interest rates to coincide as usual with the Conservative Party conference, showing once again that the market is ruled O.K.?

(Dr) D. Pollard.
41, Oakfield Crescent,
Blaby, Leicester.

Ceasefire in Lebanon

'Enough, enough, enough'

By Patrick Cockburn in Beirut

THE CEASEFIRE in Lebanon is largely an agreement to stop pulling triggers. "Enough, enough, enough," said Mr Chafic Wazzan, the Prime Minister, as he announced the end of the three-week-long war late on Sunday.

For the Lebanese it is enough that, at least for the moment, the artillery duels among the mountains which ring Beirut have ceased. Smoke was still rising yesterday from where shells had set alight the pine woods on the steep slopes above the capital, but otherwise there was every sign that the truce was being observed.

In the streets of Souq al Gharb, the ridge top town which has been the focus of battles between the Lebanese army and Druze militiamen, the soldiers were understandably pleased that the shell and rocket fire had stopped.

"Only a few snipers this morning," said an officer. But most of his men still looked wary as they cleared the road of tree branches brought down by the explosion of artillery rounds the night before.

It seems that the ceasefire will hold because the Syrians and the Druze have achieved most of what they want. Damascus has gone far to fill the political vacuum left when the Israelis pulled back to the Awali River at the start of September. The Druze militiamen have defeated and driven out the Christian forces which had invaded their mountains on the heels of the Israeli army last year.

At the same time the U.S. has shown that it would not allow President Amin Gemayel to be overthrown. A week ago when Syrian and Druze artillerymen poured fire into Souq al Gharb amid a series of powerful ground attacks, General Ibrahim Tannous, the Lebanese army commander, told the Americans that he would have to evacuate the town unless their offshore fleet provided naval artillery support.

They did so and the Government has clung onto Souq al Gharb, which has achieved a symbolic importance out of proportion to its strategic significance. Since then there has been little ground fighting, though *plenty of artillery battles, as* Syria and its Druze allies manoeuvred to extract the best ceasefire deal possible. But they knew they could not overthrow the Government, which offered to resign yesterday to aid the reconciliation process.

Fighting in the Souq al Gharb, east of Beirut

Few on either side of the battle line see the ceasefire as more than an armed truce, a recognition of a new balance of power which has emerged after almost a month of fighting. The national reconciliation dialogue now to take place between all the different Lebanese leaders is to be held in Saudi Arabia. That is a measure of the disintegration of Lebanon itself, and little is expected from the meeting.

Gemayel is rapidly becoming totally dependent on the U.S.

The Government, on President Amin Gemayel's own admission, only holds 10-20 per cent of the national territory. Lebanon itself is little more than a geographical expression. The Israelis hold the south of the country, the Syrians the north and east and their Druze allies the crucial Central Mountains overlooking the capital.

The 34,000-strong regular army has fought well, better than many foreign observers had expected. But the critical new addition to all political equations in Lebanon is the support President Reagan is now giving to President Gemayel. A massive armada of naval vessels is cruising off the Lebanese coast, including two aircraft carriers and a battleship.

If the naval bombardment had not succeeded in allowing the Lebanese army to hold most of the ridge line on the eastern approaches to Beirut there is little doubt that air strikes by U.S. aircraft would have been used. French Super Etendard bombers attacked Syrian gun positions last week after the French section of the multinational force came under attack.

For President Gemayel the presence of the U.S. fleet is deeply reassuring as a guarantee against military defeat. The problem is that President Gemayel's resources are so *slender that he is rapidly* becoming totally dependent on his alliance with the U.S.

The Syrians do not seem too displeased with this. They have long experience of Lebanon's political morass and its hidden dangers, something they seem to believe President Reagan may be going to find out about the hard way. The guns of the Sixth Fleet may deter Syria from disposing of President Gemayel entirely, but Damascus does not appear intimidated by American firepower. President Assad has always been far more nervous of Israel than of the U.S.

It was after all an Israeli withdrawal which precipitated the crisis of the past three weeks. The pullback was a recognition of Jerusalem's difficulties in coping with the dangers of Lebanese politics and Israel has remained passive during the recent fighting.

This may not last. Already there are calls from General Ariel Sharon, the former Israeli Defence Minister sacked after the report on the Chatilla massacre, for a more forward policy in Lebanon. It may not be long before Israel once again begins to intervene militarily north of its line along the Awali.

The threat of Israeli intervention is not the only factor which makes the present balance of power unstable. Lebanon is only half the size of Wales and within this small area 17 different sects vie for their own security, if not predominance. The Moslem Sunni and Shia sects, the Druze, Maronites, Greek Orthodox and Greek Catholics all try to support their interests by a web of domestic and foreign alliances—their own private armies are still intact.

For instance, the 1,200 marines in the multinational force stationed at the airport have recently been in their bunkers because of sniper and rocket fire from nearby Shia Moslem suburbs, not because of Syrian or Druze artillery shells. The Shia are fighting their own largely private war with the army and if the Government seeks to take control of their strongholds a new round of fighting could erupt.

In one way the U.S. military intervention in Lebanon does resemble Vietnam in more than a rhetorical sense. In both cases Washington sought to prop up a very fragile and not very popular government, one which in Lebanon is considered an instrument of Christian domination by many Moslems, who form the majority of the population.

President Gemayel, who faces so many enemies and has alienated so many potential friends, considers that his one strong card is his alliance with the U.S. He has little else going for him and over the last month he has sought desperately, but with ultimate success, to internationalise the crisis. President Reagan cannot now back away from his commitment to give substance to the regime's somewhat shadowy authority, but in doing so he will find it next to impossible to keep his footing in Lebanon's political quicksands.

FINANCIAL TIMES

Tuesday September 27 1983

Coca-Cola sells wine unit for $200m to Seagram

By Andrew Baxter in London

COCA-COLA, the world's largest producer of soft drinks, has ended its six-year flirtation with the headier world of alcoholic drinks by agreeing to sell its Wine Spectrum unit for more than $200m.

Coke has signed a letter of intent with Joseph E. Seagram & Sons, a subsidiary of Seagram, the world's largest producer of wines and spirits. Wine Spectrum, which sells wines under the Taylor California Cellars, Sterling Vineyards and Monterey Vineyard labels, is the third largest producer and marketer of wines in the U.S.

Coca-Cola said yesterday that it had had no intention of selling Wine Spectrum until Seagram made it an offer it could not refuse. "This was a buyer-initiated offer. Management felt obliged to accept it," said Mr Carlton Curtis, Coca-Cola's manager of corporate communications.

Coca-Cola moved into the wine business in 1977. By last year Wine Spectrum accounted for less than 6 per cent of operating income.

Mr Curtis said the sale would allow Coca-Cola to concentrate on its main businesses where return on assets were higher – soft drinks, foods, and entertainment. The price for the sale would allow Coca-Cola to recapture its investment in the wine business.

Mr Edgar Bronfman, Seagram's chairman and chief executive, said: "We believe the wine business will experience great growth in this country and we intend that Seagram will participate fully in and contribute significantly to that growth."

Other U.S. corporate news, Page 19

South Korea delays nuclear plant projects

SEOUL – The South Korean Government plans to shelve four nuclear power plant projects at least until 1986, Energy and Resource Ministry officials said yesterday.

Several foreign companies had vied to supply reactors and other equipment for the projects, worth a total of $5bn. The Government originally planned to start building this year.

The officials said the tentative plan also calls for a slow-down on four nuclear power plants being built by the U.S.-based Westinghouse. The completion date for two of them will be pushed back six months to mid-1986, and until September 1987 for the other two.

The officials, who declined to be named, said the delays were the result of lower than expected demand for power and effective energy saving efforts.

Sources said the plan also reflected the Government's policy of curbing the foreign borrowing South Korea needs to finance the power projects.

Two other nuclear power plants being built by Framatome of France will not be affected by the slowdown and are to be finished in 1987 and 1988. AP–DJ

U.S. to delay spending cuts

Continued from Page 1

cuts, which will revive charges about the "fairness" of the President's overall economic programme. According to their analyses of public opinion, the President will get full credit from the electorate for the economic recovery which is now under way only if he can neutralise the "fairness issue."

The key fiscal issue which is still under debate in the White House is whether to include any mention of possible tax increases from 1986 onwards in next year's budget.

LEVEL OF IMPORTS STILL CAUSING CONCERN

UK current account improves

BY ROBIN PAULEY IN LONDON

BRITAIN's balance of payments crept back into surplus in August, although the Government is now confirming the view of the Confederation of British Industry (CBI), the employers' organisation, that Britain's export performance remains weak in spite of improving world trade conditions.

Trade Department figures published yesterday show a surplus of £22m ($33m) on the current account of the balance of payments in August compared with the substantial deficit of £190m in July and a healthy surplus of £412m in June.

Behind these rather erratic figures is a generally bleak picture. The total current account surplus so far this year is just under £300m, compared with the Government's budget forecast of a £1.5bn surplus for 1983.

Imports have been at a much higher level than expected and exports, other than oil, have failed to perform. An export led recovery to replace the slowing consumer spending stimulus to the economy is so far nowhere on the horizon. And the evidence is that the consumer boom went largely on imports, widening the balance of trade deficit.

However, August's figures were a definite improvement on July's exceptionally poor figures. Exports recovered from the £4.47bn in July (the lowest figure since January) to £4.68bn in August, while the very high import figures of July (£4.91bn) fell back slightly to £4.896bn in August rather than advancing further.

The underlying position, however, remains that the volume of non-oil imports is rising and the volume of exports is running at a level about 3 per cent lower than at the beginning of this year. It falls to oil and earnings from invisibles, such as insurance, shipping, banking and tourism, to counter the consistently bad non-oil export record.

Oil production has been increasing during the past two months, rising to 5.7m tonnes in August (the highest in 1983 except for March with 6.0m tonnes.) This took the oil surplus up to £569m, compared with £440m in July, while the August non-oil deficit was £707m, compared with £790m in July and £423m in June.

Invisibles continue to run a surplus estimated at around £160m a month.

Total exports to the European Community fell back by 2½ per cent in the three months June to August, compared with the previous three months, and by 9 per cent to the rest of Western Europe. This offset the growth of exports to North America by 9½ per cent in the period June to August compared with the preceding three months.

UK BALANCE OF PAYMENTS, CURRENT ACCOUNT (£m)*

		Current Balance	Visible Balance		Invisible Balance
			Oil	Non-oil	
1981		+6547	+3112	− 104	+3539
1982		+5428	+4605	−2486	+3309
1983	Q1	+ 779	+1764	−1958	+ 973
	Q2	− 313	+1490	−2144	+ 341
	Jan	− 146	+ 529	− 999	+ 324
	Feb	+ 204	+ 613	− 734	+ 325
	Mar	+ 721	+ 622	− 225	+ 324
	Apr	− 196	+ 485	− 795	+ 114
	May	− 393	+ 420	− 926	+ 113
	Jun	+ 276	+ 585	− 423	+ 114
	Jul	− 190	+ 440	− 790	+ 160
	Aug	+ 22	+ 569	− 707	+ 160

Source: Department of Trade *Seasonally adjusted

'Preferred' system must go, says Lloyd's group

BY JOHN MOORE, CITY CORRESPONDENT

A CONTROVERSIAL system of underwriting at Lloyd's the London insurance market, should be banned, it was proposed yesterday. It is claimed that the system has often been used to benefit the community's professionals, their families and business associates.

The recommendation to ban the system was made in a consultative document prepared by a Lloyd's internal working party. It could lead to extensive changes in the Lloyd's market.

The working party, chaired by Mr Alec Higgins, a former deputy chairman of Lloyd's, made its recommendation after hearing evidence and complaints from sections of the market that abuses in the system had taken place.

Lloyd's ruling council said yesterday that it agreed with the recommended ban on the practice, which has been called "preferred underwriting." It warned, however, that it was "concerned that in preventing the abuses that stem from preferred underwriting" it did not inhibit the freedom of the market "to engage in practices that are commercially proper."

In its report, the working party says that those that had made representations were concerned that when an underwriter accepted business for more than one syndicate – the units into which the 21,601 members of Lloyd's are grouped – he might prefer "one syndicate by diverting to it the better business or diverting away from it the less good business."

Often the favoured syndicate has consisted of a small number of individuals, including the family of the manager of the syndicate and his relations and business associates. But the working party has said that "it is not always the case that the favoured syndicate has been the smaller of the two."

The working party has concluded that the duty in law of Lloyd's underwriting agents (who look after Lloyd's members' affairs), to their principals (the underwriting members) "is so clear and so strict as to be incompatible with preferred underwriting."

It said that it recognises "that there may be difficulties in establishing whether one syndicate is being preferred over another." Where there was doubt, cases should be referred to the council for its consideration.

The working party has also recommended a tough system of "positive" appraisal of candidates seeking appointment as underwriters working in the Lloyd's market

Thatcher selects new HK adviser

By Alain Cass in London

MRS MARGARET THATCHER, the British Prime Minister, has chosen Sir Percy Cradock, Britain's Ambassador in Peking, as her next foreign policy adviser. The move suggests that the future of Hong Kong has become her most important bilateral concern.

Sir Percy will succeed Sir Anthony Parsons, who is retiring in December. He is also to take up a special appointment in the Foreign Office as deputy Under-Secretary with responsibility for negotiations on the future of Hong Kong.

Mrs Thatcher's decision to share her foreign affairs adviser with the Foreign Office is likely to be interpreted as a conciliatory gesture towards a government department of whose performance she has been scathing in the recent past.

Sir Anthony, the first foreign affairs adviser in Downing Street, was appointed shortly after the Falkland Islands campaign last year. His appointment was widely interpreted as a snub to the Foreign Office, which had just lost Lord Carrington, the Foreign Secretary who resigned after the outcry over Argentina's invasion of the Falklands.

Sir Percy Cradock

Although Foreign Office officials plainly still do not like the idea of a foreign affairs adviser on the staff at Number Ten, they point out that Sir Percy, like his predecessor, is one of them and will spend half his time in the department.

The announcement, made yesterday in London and Peking, follows last week's fourth round of talks between Britain and China over Hong Kong.

The talks appear to be blocked on the issue of sovereignty over the British colony after 1997. That is when the 99-year lease, concluded with China in the last century for most of the territory, expires.

Confidence in Hong Kong has recently plunged to an all-time low. Peking has delivered aseries of public attacks on Britain over its handling of the talks, while maintaining that it will take control of titular and administrative sovereignty of the territory in 1997.

Sir Percy, who was due to retire this autumn when he reaches his 60th birthday, will return to London in December. He will have two offices, one in the Foreign Office and one in Downing Street, which indicates that Mrs Thatcher intends keeping personal control over Britain's Hong Kong strategy.

Sir Percy has been Ambassador in Peking since 1978.

Sir Percy's successor has not been named. The front runners are believed to be Mr Richard Evans, currently Deputy Under-Secretary in charge of economic relations, and Mr Donald, who heads the FCO's Far East Department.

Men & Matters, Page 16

IMF compromises on lending limits

Continued from Page 1

funds for the IMF from the 11 richest countries.

The total extra U.S. contribution for 1984 would be $8.4bn. In view of difficulties in Congress, however, the U.S. Administration has refused to take part in the $3bn loan for next year arranged by other industrial countries and matched by a $3bn loan from Saudi Arabia.

The European nations particularly have become annoyed by Washington's reluctance to take what they consider to be a proper share in the solution of the world's debt problems.

In the margins of the main meetings in Washington they are putting pressure on the U.S. to provide extra resources to bridge the $2½bn to $3bn "gap" which has been identified between Brazil's needs for new borrowing and the likely provision from private and official sources.

Most of the major countries are hanging back from this problem although they have agreed in principle to provide about $2bn through rescheduling export credits. Britain has made clear, for example, that it does not see why it should incur a public expenditure cost of more than the $200m which would result from its rescheduling of export credits.

In spite of often fierce arguments behind the scenes, M Jacques de Larosière, the IMF's managing director, appeared confident yesterday that he would be able to get the $3bn loan from industrial countries for 1984 with the matching $3bn Saudi Arabian loan.

His estimates for the financing needs beyond that are fairly vague. But the fact that they are being discussed shows that he continues to be anxious about the Fund's ability to meet likely demands upon it.

At a press conference yesterday, after the Fund's Interim Committee meeting, M de Larosière drew attention to the section in the ministers' communiqué which referred to the loan.

After discussing the Fund's liquidity it said: "The committee strongly endorsed the managing director's efforts to arrange additional borrowing from official sources to cover the growing gap between the amounts of borrowed resources that the Fund had committed and those available to it under existing credit lines, and expressed the hope that this borrowing can be successfully concluded without delay."

● **Peter Montagnon writes:** Dr Fritz Leutwiler, president of the Bank for International Settlements, warned yesterday that the international debt problem will last for at least five more years, making loan losses inevitable for international banks.

In a speech to the National Press Club in Washington, Dr Leutwiler, who is also president of the Swiss National Bank, said commercial banks had gone too far in lending money to developing countries during the 1970's, "laying out the red carpet long after restraint was indicated."

He said: "Some of this money, presumably quite a lot, will have been lost and will have to be written off by the creditors."

Banks had to realise that there was little prospect of obtaining help from the governments in eliminating the debt problem.

Saatchi in U.S. offering

By Dominic Lawson in London

SAATCHI & SAATCHI, Britain's biggest advertising agency, is to make a public offering of up to 4.83m shares in the U.S. Yesterday afternoon the company filed its preliminary registration statement with the Securities and Exchange Commission in Washington. Saatchi is aiming to be only the third UK listed company to fulfil the requirements of the SEC for a sponsored public offering in the U.S.

In accordance with SEC regulations, neither the company, nor its advisers, Morgan Stanley, would elaborate on the official statement. But it is believed that the decision to go for a U.S. offering, taken about eight months ago, was motivated by U.S. institutions interest in the shares. Last Friday, Saatchi's share price put on 50p to an all-time high of 540p because of U.S. buying.

Yesterday, Saatchi's shares fell 15p to 525p. The U.S. offering will probably take place at the end of October, and will be pitched at whatever is the prevailing UK market price. At yesterday's close, that would raise up to £25m ($37.25m) for the company. The money will initially be put on deposit, but it is clearly earmarked for expanding Saatchi's U.S. interests, possibly through acquisition.

Saatchi yesterday announced unaudited nine months results for the period to June 30 1983. These showed turnover up from £192m to £457m and profits of almost £8.5m as against £4.1m.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	F	17	63	Malaga	S	26	79	Salzburg	S	19	66
Akrotiri	S	28	82	Faro	S	33	91	Malta	F	25	77	Seoul	C	26	79
Algiers	S	28	82	Florence	S	25	77	Manila	C	31	88	Singapore	C	32	90
Amsterdam	S	20	68	Frankfurt	S	18	64	Miami	C	29	84	Stockholm	S	16	61
Athens	S	25	77	Funchal	S	28	82	Milan	S	27	81	Strasbourg	S	19	66
Bahrain	S	35	95	Geneva	S	21	70	Moscow	R	10	50	Sydney	C	17	63
Bangkok	C	31	88	Gibraltar	S	26	79	Munich	S	17	63	Taipei	R	31	88
Barcelona	S	28	82	Guernsey	Fg	16	61	Nairobi	–	—	—	Tangier	S	36	97
Beirut	S	28	82	Helsinki	F	12	54	Naples	F	20	68	Tehran	–	—	—
Belgrade	C	15	59	H. Kong	S	33	91	New Delhi	C	32	90	Tel Aviv	S	30	86
Berlin	C	14	57	Innsbruck	S	19	66	New York	C	21	70	Tenerife	S	34	93
Biarritz	F	21	70	Inverness	S	18	64	Nice	S	25	77	Tokyo	R	23	73
Blackpool	C	14	57	Istanbul	S	23	73	Oporto	S	26	79	Toronto	C	18	64
Bordeaux	S	22	72	Jersey	S	18	64	Oslo	S	16	61	Tunis	F	18	64
Brussels	S	21	70	Jo'burg	S	23	73	Paris	S	21	70	Valencia	S	32	90
Budapest	S	17	63	Las Palmas	S	34	93	Prague	S	17	63	Venice	S	21	70
B. Aires	S	24	75	Lima	S	21	70	Reykjavik	F	7	45	Vienna	S	17	63
Cairo	S	29	84	Lisbon	S	30	86	Rio de J'o	C	25	77	Warsaw	S	13	55
Cape Town	–	—	—	Locarno	S	22	72	Rome	S	26	79	Zurich	S	18	64
Caracas	C	28	82	London	S	23	73								
Casablanca	S	28	82	Los Angeles	S	25	77								
Copenhagen	F	15	59	Luxembourg	S	17	63								
Corfu	F	20	68	Madrid	S	34	93								
Dublin	C	17	63	Majorca	S	30	86								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

HK$ strengthens

Continued from Page 1

points at one time to an all-time low of 57.2.

Sunday's statement said the proposal would involve restructuring the mechanism by which the two leading Hong Kong banks issue bank notes, and would give the Government's exchange fund "a more significant role" in determining the Hong Kong dollar's exchange rate.

No elaboration of this brief statement emerged yesterday. A Government statement issued after close of business said only that the Government "will continue to monitor the situation closely so that it can act, when and if necessary."

The prevailing impression among local analysts was that the Government acted rapidly on Sunday by issuing a statement intended to forestall a potential crisis, and is now reviewing the effect of its declaration of intent coupled with the interest-rate rise.

A senior official said the proposal outlined by the Government was still being developed.

On the local gold market, prices dropped back to prevailing international levels, reversing Saturday's sharp gains, which had pushed the local price to a premium. The tael price (one tael is about 1.2 troy ounces) fell HK$535 yesterday to close at HK$4,170.

THE LEX COLUMN

Yankee Doodle Saatchi

The added ingredient which is more and more setting the leading advertising agencies apart from the Brand X variety is their ability to handle client accounts on a global basis. Several international companies have now announced, as did Beecham Group only last week, the replacement of teams of agencies around the world by a select few, appointed to handle advertising throughout their various markets.

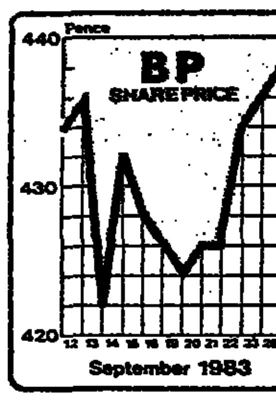
Saatchi & Saatchi may not be regarded within the industry as quite the creative force they once were; but they still appear as confidently aggressive as ever in their pursuit of a global network to meet this corporate demand, a strategy taken an important step further by yesterday's filing of an SEC registration to be listed on the over-the-counter market in New York.

The listing should help Saatchi to dangle its share price as a carrot in front of U.S. employees, and the group has every intention of using its equity there as it does in the UK, where employees hold 30 per cent of the existing issue. At the same time, the expensive task of registration has been put to additional use with a stock offering to help the future growth of the U.S. workforce. At last night's 525p closing price it will inject about £25m into the group, which should leave net cash comfortably over £40m by year-end.

Pre-tax profits are heading for £11m or more this year, which at an actual tax rate of 45 per cent implies a p/e of 21, or rather less adjusted for the share offering. U.S. investors will be bombarded with impressive compound growth figures for 1971-82 to justify buying Saatchi at this premium over the 13 to 14 p/e range on 1983 earnings typical of the eight agencies already listed in New York. To judge from the shares' recent action, Saatchi's investment bankers might be preaching to the converted.

BP

A successful completion to the Government's BP tender suggests that, with a deft choice of striking price, this method of sale can be almost all things to all species, including a few of the near-extinct stags, at least in a bull market. At 435p, the price was struck high enough for the Government to plume itself on an efficient piece of funding, and low enough to leave a pool of unsatisfied applicants buying partly-paid stock in the market at a premium yesterday morning.



For a government with a stack of privatisation issues sitting on the shelf, it was important to rehabilitate the tender. Another fixed-price stagging extravaganza on Amersham lines is probably not politically affordable, but another Britoil flop might have added privatisation-by-tender to the list of ideas whose time had gone.

As it is, the very success of the sale inevitably revives doubts as to the necessity of underwriting an issue where the market was being invited to decide the price for itself on the basis of fairly reliable information, namely the market price of privately held BP shares. In this case, it was perhaps reasonable for the Government to have paid the protection money to ensure that it did not suffer if the market slid away from under the minimum tender price. The tender itself is only a device for making certain that the market does not escape in an upwards direction.

Hong Kong

Hong Kong's monetary authorities must be at their wits' end, whoever they are. A bold, if imprecise, pledge to produce an exchange rate more accurately reflecting the strength of the economy fell on wholly deaf ears over the weekend. The banks were then left with no option but to pursue the course which they had consistently rejected last week and lifted their prime lending rates by 3 per cent.

This stratagem may have helped to settle the currency yesterday but it is obviously no lasting solution. When a currency excites sufficient antipathy to fall 8 per cent in a day, as the Hong Kong dollar did against the U.S. dollar on Saturday, even an interest rate squeeze as severe as that attempted by France before the last EMS realignment is not guaranteed to stop the rot.

The Hong Kong Government is now under considerable pressure to enlarge on its weekend statement. In particular, it needs to explain to the markets precisely how it could peg the currency to the U.S. dollar and to give some idea of the foreign exchange reserves available for the purpose. In the present climate, however, it also needs to define the level at which it would like the rate pegged and, assuming that is some distance from the present parity, how it proposes to get it there.

Markets

The Bank of England is still giving nothing away in the bill market. Yesterday morning, it went through the motions of inviting offers from the discount houses but soon reverted to its now established practice of arranging a sale and repurchase facility to take out almost all of a very large shortage.

The earlier facilities start to mature this week and the houses are keeping their fingers crossed that intervention rates will have been reduced in time for them to show a capital gain to compensate for the running loss they are currently showing on their book. If the Bank's dealing rates are still frozen at the end of the week, the bill market could start to look very sticky.

In gilt-edged, too, the Bank was running true to form. Friday night's reassuring U.S. money supply figures and a respectable set of UK trade statistics provided it with a receptive market into which to toss yet another convertible stock.

With the pressure on funding now considerably diminished, the Bank has no urgent need for cash. Gilt-edged sales during banking September probably topped £2bn, more or less ensuring an attractive sterling M3 figure. But the selling spree had exhausted the authorities' battery of stocks and a new tap will be useful as an instrument of market control, if for no other purpose.

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FINANCIAL TIMES
Tuesday September 27 1983

SGB to tap markets in bid to raise BFr 8bn

BY PAUL CHEESERIGHT IN BRUSSELS

SOCIÉTÉ GÉNÉRALE (SGB), the major Belgian industrial and financial holding company with interests both internationally and throughout the Belgian economy, is going to the capital markets for the first time in eight years to raise BFr 8bn ($148m).

The long-expected fund raising is intended to stiffen the group's financial structure after heavy demands on it in recent years and to provide further investment cash.

Capital will be raised in three ways, SGB explained yesterday:

● A one-for-three rights issue of 3.62m shares, providing BFr 4.89bn–BFr 5.8bn;

● The sale of 50,000 shares to group personnel, providing BFr 67.5m–BFr 80m;

● The offer of 1.8m shares to holders of 1975–1987 8.25 per cent convertible loan stock on the basis of two shares for each unit of loan stock to provide BFr 2.4bn–BFr 2.88bn.

The precise amounts raised will depend on the price of the new shares, which will be set later at between BFr 1,350 and BFr 1,600, according to the state of the market.

This price range compares with the BFr 1,985 at which SGB shares were trading yesterday on the Brussels bourse. This year the SGB price has fluctuated between BFr 1,196 and 2,035. It has strengthened over the past three trading days in line with the general market trend.

SGB thus joins a long line of Belgian companies which, in 1982 and 1983, have been taking advantage of tax concessions offered by the Belgian Government to encourage capital raising and new investment.

The group has held back so that other units in the group could first raise capital in their own right. The fund-raisings have cost SGB itself BFr 2.9bn during this year and last, as its share entitlements have been taken up.

But the effort has been a financial strain for a group which had to contend with net losses in 1981 of BFr 2.7bn before returning to the black last year with net profits of BFr 2.3bn.

The absorption of Union Miniere, the international mining group, and Tanks Consolidated Investments, added to investment in subsidiaries, has been achieved either through the sale of assets or through borrowing. SGB's indebtedness has risen to BFr 7.1bn, it said yesterday.

Baldwin files for protection

BY PAUL TAYLOR IN NEW YORK

BALDWIN-UNITED, the financially troubled U.S. diversified financial group, yesterday filed for protection from its creditors under Chapter 11 of the bankruptcy code.

The filing, made in the Federal bankruptcy court in New York, followed an earlier petition seeking to force Baldwin into involuntary bankruptcy proceedings filed by three of the company's bondholders.

The bondholders' filing appears to have caught Baldwin by surprise. The company was expected to make a full statement later yesterday. Baldwin's shares halted at $4½.

The group's decision to file for protection from its creditors comes after mounting losses and a nine-month battle to restructure the company and return to financial health.

The decision is a serious blow for Mr Victor Palmieri, Baldwin-United's president and chief executive, who was brought in earlier this year to try to stem the losses and reduce Baldwin's crippling debt burden which was largely assumed when it acquired its MGIC investments unit for $1.2bn in late 1981.

Last week the group, which had already begun a massive assets sale, agreed to put its MGIC subsidiary up for sale at the request of state insurance commissioners seeking to protect the interests of annuity policyholders.

Baldwin's problems, which emerged in the final quarter last year, largely stem from its aggressive diversification programme, which saddled the company with around $1bn in short-term debts.

In the fourth quarter last year Baldwin shocked Wall Street by reporting a $17.8m loss before realised gains. Net income for 1982 fell from $79.3m to $47m before securities gains.

In the first quarter of this year the group reported a $817m loss, equivalent to almost $30 a share.

Since then the group has been involved in a series of debt reschedulings with its creditors.

Swiss banks have record year

BY JOHN WICKS IN ZURICH

AN INCREASE in foreign business was the main reason for the growth in Swiss banks' balance-sheets last year, according to a report published by the Swiss National Bank.

The report shows that the country's 572 banks and finance companies booked a 9.2 per cent increase in their combined balance sheet total in 1982 to a record figure of SwFr 611.5bn ($285.3bn). In the previous year balance sheets had grown by 14.4 per cent but this was partly the result of the inclusion for the first time of precious metal accounts.

These figures exclude fiduciary accounts, which last year rose by only 5.1 per cent to SwFr 166.4bn, compared with a jump of 31.2 per cent in 1981 to SwFr 158.4bn.

The National Bank study points to an acceleration of foreign business on the part of the Swiss banking system in 1982, with foreign assets up by 12.5 per cent and foreign liabilities by 13.1 per cent. In comparison, domestic assets and liabilities rose by only 7.3 per cent and 7.5 per cent, respectively.

As a result of the recession, the volume of domestic loans and advances was little more than half that booked for 1981, while – due largely to the strengthening of the dollar – the value of foreign credits nearly doubled. However, foreign loan business was still well below the levels booked in 1980 and 1981, the result of international economic conditions and banks' caution in entering new sovereign risks.

At the end of last year Swiss banks and finance companies had combined foreign assets of SwFr 227.6bn, of which about three-quarters were in Western industrialised countries (including Japan)

Foreign liabilities were SwFr 192.2bn, with 62 per cent in Western industrialised countries and 8 per cent in Caribbean offshore centres.

Net profits of the 572 banks and finance companies rose 9.5 per cent last year to SwFr 92.48bn. As the National Bank points out, however, this does not give an exact picture of actual profitability in the banking sector since no figures are available on the formation and liquidation of unpublished reserves.

Moulinex doubles profits at midway

By David Housego in Paris

MOULINEX, the French manufacturer of electrical kitchen equipment, doubled its net profits in the first half but warns that the results are distorted by the restructuring costs last year of its American subsidiary.

Net profits rose from FFr 23.6m ($2.95m) in the first six months of 1982 to FFr 56.1m. Sales increased by only 9 per cent to FFr 1.1bn.

These results compare with net profits of FFr 35m in the first six months of 1981.

Moulinex's joint venture in the U.S. with Regalware – the American kitchen equipment company and Moulinex established a new jointly held subsidiary Moulinex-Regal – incurred heavy restructuring costs last year.

This year Moulinex is undertaking a large investment programme in France to automate further its production. M Jean Mantelet, the 84-year-old chairman of the company, announced recently that investments in France would be 50 per cent up this year to FFr 120m.

The company said yesterday that the profit outlook for the year depended heavily on whether there was a sharp downturn in the French market

The problem of succession at the company remains unresolved with M Mantelet still seeking a partner. He has no heir.

Privatbanken injects capital into UK unit

By Hilary Barnes in Copenhagen

PRIVATBANKEN, Denmark's third largest commercial bank, is subscribing DKr 150m ($15.7m) in subordinated loan capital through its wholly owned subsidiary in London, Privatbanken Ltd.

The Copenhagen bank said that the capital injection is to enable the London bank to continue the rapid expansion it has shown since its formation five years ago. The London bank's balance sheet total is about £320m ($416m) and its capital and reserves about £20m.

The bank made taxable profits of £1.25m last year and expects to double earnings in 1983, according to Mr Peter Tann, managing director.

Liquidation for Canal Randolph

By Our Financial Staff

CANAL RANDOLPH, the U.S. property company, is to pursue a proposal to sell all its income-producing real estate properties. This would involve liquidation of the whole company, followed by the sale or distribution of all assets.

Mr Raymond French, chairman and chief executive, said any other proposals would have to be in hand within the next four weeks.

Canal Randolph was at the centre of a bitter proxy fight between U.S and UK investors earlier this year.

FIRST EXPULSIONS IN STOCKHOLM BOURSE'S HISTORY

Exchange freezes out Stenbeck

BY DAVID BROWN IN STOCKHOLM

"IT WAS a very difficult decision to take, the most difficult in my time on the stock exchange board," said Mr John Edward Johnson, referring to the decision last Friday to expel the Fagersta steel company and the Kinnevik Investment Group from the Stockholm bourse for alleged improprieties.

Mr Johnson is chairman of the Swedish Shareholders' Association, whose members are expected to be hardest hit by the action – the first expulsions in the exchange's 119 year history.

The decision marks another setback to the bid by Fagersta to take over Kinnevik, its parent company, which was initiated last August. It was also a jolt to Mr Jan Stenbeck, the controversial businessman and financier, who is leading the takeover consortium.

Both companies are bound in an interlocking web of family interests. The consortium, which includes most of the major stockholders in Kinnevik, had agreed to exchange its shares for a controlling interest in Fagersta. It then invited remaining shareholders to exchange their own Kinnevik shares for various convertible and subordinated loans in Fagersta.

The plan ran into trouble at the start of this month, when a Kinnevik auditor, Mr Knut Ranby, denied he had ever signed the prospectus which was sent out over his name. He asked the Swedish police to investigate the possibility of criminal wrong-doing.

The deal was also criticised by the Shareholders' Association and others for favouring the large stockholders who made up the consortium and who also sit on the almost identical boards of both companies.

On September 2, the stock exchange decided to halt trading in the companies shares amid calls that the deal should be stopped. It later extended the ban, saying that information contained in the now-controversial prospectus had been misleading, and asked the Fagersta management for clarification. It later termed the response insufficient.

In taking the decision to oust the two companies, the bourse pointed out that Kinnevik had failed in its obligation to inform the exchange immediately upon agreeing to give Fagersta an option to buy the company's assets.

It now appears likely that a market for Fagersta and Kinnevik shares will open within existing bank and broker networks.

Mr Stenbeck's bid has been explained in part as a fierce family power struggle, revealing yet another aspect of the story. The scandal comes at an embarrassing time for Swedish industry, which is trying to present an acceptable face to the public in its bid to stop the Social Democrats from going through with their planned introduction of wage earner funds. These are the controversial shareholdings which would be financed by a government tax on profits and controled by the unions, in a significant extension of their influence over corporate decision-making.

If the deal had gone through as planned, Fagersta would have controlled through Kinnevik the Sandvik steel group, the Korsnäs pulp and paper company, insurance interests, hydro-power rock drilling and other investments.

Two weeks ago, however, Skanska Cementgjuteriet, one of the Nordic region's biggest construction and investment groups, announced that it had acquired a substantial interest in Sandvik and would seek to replace the entire board at an extraordinary shareholders' meeting on October 24.

The membership of the Fagersta and Sandvik boards is virtually identical, and this was seen as yet another move by the Swedish business establishment to curb Mr Stenbeck's influence.

Fagersta now controls over 52 per cent of Kinnevik shares. Companies in the so-called "Stenbeck sphere" announced yesterday their intention to sell all their Sandvik shares at the market rate. The 2.2m stocks are expected to yield about SKr 800m ($102m), to free the group from its unprofitable ties with the steel industry, and give it a new freedom of action.

It is not yet clear if and when two companies might be let back on the stock exchange.

Du Pont Canada drops plan for Alberta plant

BY OUR MONTREAL CORRESPONDENT

ALBERTA, its economy depressed by the troubles of the energy industries, has lost a third major petrochemical project.

Du Pont Canada has scrapped plans for a C$300m (U.S.$243m) polyethylene plant near Edmonton because demand has not lived up to estimates made several years ago.

Du Pont's partner would have been Alberta Energy, but it now says it can meet all domestic and export demand from its Ontario plant.

Last year Esso Chemical dropped plans for a C$650m ethylene plant, and Shell Canada halted planning on a series of petrochemical ventures. The West German Biewag group's plans for a C$800m methanol plant have also been delayed.

● Canterra Energy, the main oil and gas exploration arm of the Federal Government-controlled Canada Development Corporation, has pulled out of a joint venture led by Gulf Canada to drill the Pitsiulak offshore well in the Beaufort Sea, 2,500 miles north of Calgary.

Cast recovery 'may take more than two years'

BY ROBERT GIBBENS IN MONTREAL

THE ROYAL Bank of Canada believes it may take more than two years to bring the restructured Cast North Atlantic container business to the point where it can be sold to "a long-term holder", Mr Robert Utting, the bank's vice-chairman, said.

The business was restructured under the umbrella of an offshore, indirectly owned bank subsidiary, Cast (1983), last summer after negotiations to sell the former Cast North America to Canadian National Railways foundered.

The Royal Bank was a principal creditor of Eurocanadian Shipholdings of Bermuda, now in liquidation, and had already repossessed three large Cast conbulkers worth more than $100m. The old Cast North America is bankrupt, but because of the bank-organised group restructuring, creditors will receive about 40 cents to the dollar.

Mr Utting said the Bank Act contains provisions under which the bank could continue to own the continuing Cast container business for more than two years if sound reasons exist.

Hammermill loses ground in quarter

By Our Financial Staff

NET EARNINGS at Hammermill Paper, the U.S. fine and printing paper manufacturer, continued their slide in the third quarter of the current year.

For the three months to September 11 they fell $1.18m to $4.79m, or from 58 cents to 45 cents per share. This left the nine month total down 48 per cent from $27.28m to $14.06m, or from $2.89 to $1.30

Sales, however, increased by $55.4m over the quarter taking the nine month figure to $1.08bn, against $971bn.

For the whole of last year the company, reported earnings down from a record $48.6m to $30.3m.

General Mills expects strong results for year

BY OUR FINANCIAL STAFF

GENERAL MILLS, the major U.S. food group, expects a record year following a 19.8 per cent advance in net profits in the first quarter, Mr H. B. Atwater Jr., the chairman, told the annual meeting yesterday.

Reported sales for the first quarter to August 28 were unchanged at $1.38bn, but a $21.3m gain from asset disposals helped lift net earnings from $60.5m to $72.5m, or from $1.20 a share to $1.52, with profit on disposals accounting for 45 cents.

Mr Atwater warned that second-quarter earnings may not exceed the previous year's level but the third quarter would be "particularly strong."

General Mills had relatively flat first-quarter earnings primarily because of the absence of sales of businesses already sold and substantially lower sales in the company's toy business.

Toy sales were down because of a deliberate policy to delay shipments to Mexico to minimise financial exposure in that inflationary market and to a weak video game market which remains uncertain.

Consumer foods, General Mills' largest business, is off to a good start with strong earnings in the quarter.

The fashion group's three-month results were down and are likely to remain so for the full year.

Continental's novel cost-cutting move

BY TERRY DODSWORTH IN NEW YORK

CONTINENTAL AIRLINES' decision to take the big stick to its workforce through the unusual step of filing for the protection of the bankruptcy courts is a dramatic illustration of the competitiveness in the domestic U.S. air transport business.

The recession is only half of the story. True, volume demand fell off in 1982 and, despite signs of a slight strengthening, is still exceptionally low. But what is hurting even more is the structural change ushered in as the government's deregulation measures began to bite during the past eighteen months. These policies have destroyed the industry's comfortable price structure and thrown the routing system open to much more intense competition.

A similar process has been at work in the trucking industry, where the same combination of slump and deregulation has ripped apart the industry's traditional organisation. About one third of its total unionised workforce of 300,000 is now officially jobless, and the industry was able to force through a zero wage agreement earlier this year. Competition has become cut throat partly because, in the new deregulated trucking world, out-of-work truckers have bought their own vehicles and gone into business for themselves.

In the airline industry, carriers have responded to the new environment with a combination of streamlining, a virulent outburst of price wars and cost cutting.

Some airlines, such as American and United, have emerged relatively unscathed, by swiftly setting their targets on routes where they believed they could earn higher profit, and by rationalising elsewhere.

This policy has reduced services to some remote airports and left many dissatisfied customers in the lurch: and it has intensified the competitive pressures on the high density routes.

The price pressures that have resulted from this additional competition have produced some spectacular results. Over the past two years, discounts of up to 75 per cent have been on offer on some long distant flights to high density markets.

The attack on costs, while partly coming from route rationalisation, has also embraced vigorous attempts to trim wages and benefits. Apart from redundancies, several airlines have recently been discussing proposals to cut pay, often in return for a share in profits or the equity of the company.

Standard and Poor's said it lowered the rating of Continental Airlines' 9 per cent cummulative convertible preferred stock and 3½ per cent convertible subordinated debentures due 1992 to D from CCC.

At Republic Airlines, for example, the main unions have recommended a 15 per cent pay cut to the 15,000 employees; at Western Airlines, employees have been persuaded to take a 10 per cent reduction for a combination of profits and stock; and at Continental, management was preparing to transfer 35 per cent of the company and a share in 25 per cent of its profits to employees if the unions would agree to cuts worth up to $150m a year across the 14,000 workforce.

Continental's failure to persuade its unions to accept this package triggered the company's decision to take the issue into its own hands and try to force through the reductions.

The method it is using – a filing for reorganisation under Section 11 of the Federal bankruptcy law – is novel.

Under section 11, a company can win temporary shelter from its creditors while undergoing a financial reorganisation. Continental, which lost $84m in the first half of this year, says it needs this protection to straighten out its finances

Whether it will be able to get away with these tactics is another matter. There do not appear to be any strong precedents for using the courts in this way to break into collective bargaining contracts.

It is likely, therefore, that the unions will fight the manoeuvre.

Investigation at South Korean bank

BY ANN CHARTERS IN SEOUL

SOUTH KOREA's banks have been hit by yet another scandal involving more than $200m in promissory notes said to have been illegally issued by employees of the Cho-Heung Bank, the country's fifth largest commercial bank

The Office of the Superintendant of Banks said yesterday that initial investigations of one branch of Cho-Heung had revealed that improperly authorised commercial bills and paper had been issued by some of the bank's employees to two companies, Youngdong Development Promotion and Shinhan Cast Iron.

Mr Lee Hun-Heung, president of Cho-Heung Bank, said that the bank's own auditors had found that 167bn won ($214m) in illegal promissory notes had been issued between February 1980 and September 15 this year. Of this total some 47.1bn won had been cashed and the bank was committed to honouring the rest, he said.

Of the total Youngdong, primarily a construction company with contracts outstanding in the Philippines, Malaysia, and Singapore, is said to have received 100bn won.

The president of Shinhan Cast Iron is reported to have left the country shortly before the bank's internal audit revealed the promissory note fraud, said Mr Hun-Seung. Ten employees of the bank are under investigation by the regulatory authorities, although at least one of them has left the country, along with a former executive of Cho-Heung Bank and the chairwoman and president of Youngdong.

The size of the apparent fraud is such that the Bank of Korea has had to underwrite Cho-Heung's guarantee that it will honour the issued bills. The reported total exceeds the 110bn won total capital of the bank.

This is the third major scandal to hit the country's financial community in the past 18 months. During the summer the Myungsung leisure group was involved in $135m of undocumented loans from a manager of the commercial branch of the Bank of Korea—representing loans made but never entered into the ledger.

In May 1982 the multi-million dollar kerb market scandal broke when $350m in promissory notes were unexpectedly presented for payment causing the resignation of bank presidents and almost forcing some banks into liquidation.

This new incident raises once again serious questions as to the effectiveness of the regulatory authorities and the internal control mechanisms within the country's banks. Earlier this year the Government sold its controlling interest in the Cho-Heung Bank as part of its policy of returning commercial banks to the private sector.

Nissan Motor reduces forecast

By Charles Smith in Tokyo

NISSAN MOTOR COMPANY expects pre-tax profits for the six months ending September 30 to fall by 35 per cent to around Y60bn compared with the same period of 1981-82.

Profits for all the current year are now expected to reach Y120bn, some 22 per cent less than for 1981-82. Nissan had earlier forecast profits for 1983-84 of Y150bn.

Nissan's downwards revision of its profits forecast reflects higher than expected depreciation charges and some deterioration in expected foreign exchange earnings. Nissan used an exchange rate of Y235 to the dollar in the first half of the current year but expects a rate of Y230 in the second half and thus lower profits on dollar denominated overseas sales.

The increase in depreciation charges results from the heavy investments made by Nissan in 1981 and 1982 in expanding its overseas manufacturing and in improving its design and engineering capabilities inside Japan. The company invested Y200bn in new plant and equipment in 1980 and Y210bn in 1982. Investment this year is expected to fall to Y180bn.

The reduced profits forecast is made despite a slight brightening in the outlook for sales. First half sales are estimated at Y1,670bn, up 2 per cent from last year but sales for the full year are forecast to rise by 7 per cent to Y3,400bn.

The company expects domestic sales to start picking up briskly from the autumn onwards. In the first half domestic sales were roughly equal to year ago levels while exports rose marginally.

Nissan's share of the Japanese car market fell slightly in 1982 under the impact of a determined sales drive by Toyota.

Restructuring for Kirsh Industries

By Our Johannesburg Correspondent

THE troubled South African retailing, wholesaling, and insurance group, Kirsh Industries, is to re-organise its corporate structure. The group, which manages the country's largest supermarket chain, Checkers, has asked its bankers to place values on the various operating companies within the group preparatory to the restructuring. The intention is to combine all the trading interests into a single company.

Kirsh is not itself quoted on the Johannesburg Stock Exchange. However it exercises control of Checkers; the furniture retail chain, Russell; the wine retailer and wholesaler, Union Wine; and the wholesaler Metro Cash and Carry (Metcash), through a series of quoted holding companies.

The major problem area is Checkers. In the year to July 2 the supermarket chain incurred a pre-tax loss of R12.3m against a pre-tax loss of R16.5m in the preceding year. Apart from Checkers all of the group's trading interests have suffered profit reductions as South Africa's recession has deepened. This has resulted in reduced dividends and lower cash flows for the quoted holding companies—Kimet, Metro Corporation, and Coki.

No reason has been given for the restructuring but stockbrokers believe it is being done to strengthen the group's financial base as a prelude to raising additional equity capital. Details of the restructuring are due to be announced within the next few days.

Trading in the shares of Coki, Kimet, Metcash, Metro Corporation, Checkers, and Russell was suspended on the Johannesburg Stock Exchange yesterday at the group's request.

Earnings fall at Dunlop Olympic

BY LACHLAN DRUMMOND IN SYDNEY

DUNLOP OLYMPIC, the Australian tyres, cables, clothing, and rubber group, saw net earnings drop by 16 per cent from A$53.34m to A$45.1m (US$40.3m) in the year to June 30 as sales advanced by 3 per cent to A$1.35bn.

The net result benefited from a lower tax rate with the pre-tax decline at 20 per cent to A$77.4m after little changed interest charges of A$25.2m and depreciation of A$17.9m against A$15.9m.

There were also minority charges of A$2.6m against A$1.7m before net profit, which was struck ahead of further heavy rationalisation costs, which saw extraordinary debits of A$12.4m compared with A$37.5m in the previous year.

The company, in which Dunlop of the UK has only a residual interest, said economic activity was down in almost all areas, with tyre manufacturing and retailing in loss for much of the year.

Elsewhere cable operations did well, footwear was stronger, and the clothing and textiles divisions performed well.

The steady interest charges in a year of generally higher rates reflected a A$28.8m cut in debt as the company bore down on working capital levels.

An unchanged final dividend of 50 cents makes a total of 9 cents absorbing A$21.9m of attributable profits of A$32.8m.

● COAL AND ALLIED Industries, the leading New South Wales coal exporter, has reported a jump in net earnings from A$1.95m to A$6.7m for the year to June but has reduced its dividend payments because of an underlying loss from its coal operations.

The company said coal operations returned a A$603,000 loss for the year and it yas only the application of A$4.1m of dividend income and tax credits which allowed it to achieve its net profit.

The result reflects an improvement on the previous year, however, when there was a pre-tax loss of A$904,000 compared with the latest A$3.85m profit. There were tax credits this year of A$3.2m against A$2.86m from investment allowances and rebates on dividends received.

Sales for the year were 7.7m tonnes of coal, up from 6.46m, and in cash terms A$346m against A$274m, but the full effects of price and tonnage cuts for exports of steaming and coking coal are expected to be felt in the current year.

The dividend total is down from 20 cents to 14 cents with a final payment of 8 cents against 12 cents. Of the total payout of A$4.42m against A$5.61m, half will go to Howard Smith Industries, the controlling shareholder.

BMF loan disclosure demanded in Malaysia

BY WONG SULONG IN KUALA LUMPUR

A DEMAND for the Malaysian Government to disclose the full extent of the loans portfolio of Bumiputra Malaysia Finance, the Hong Kong subsidiary of Bank Bumiputra, has been made by Mr Lim Kit Siang, the opposition leader in parliament.

Mr Lim expressed concern over reports that BMF had "far under-declared" its loans to Carrian Holdings, the troubled Hong Kong property group.

It was once believed that BMF had given out U.S.$150m in loans to Carrian, but the latest reports indicate that the loans could be between U.S.$330m and U.S.$550m said Mr Lim.

Mr Lim said that he had been told "by a key (Malaysian) Minister" that BMF loans to Carrian, the Eda company (now under liquidation) and Mr Kevin Hsu, could be in the region of U.S.$770m to U.S.$850m.

He said Bank Bumiputra, as a state-owned bank, must accept the principle of accountability to the Malaysian public, and he called on the government to make a full disclosure on the Bank's Hong Kong troubles. He said he was submitting a list of questions on the BMF loans at the coming parliament session next month.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

OSBORNE COMPUTER CORPORATION

Hands on or arm's length?

Louise Kehoe examines the implications for venture capitalists of the once fast-growing U.S. company's sudden demise

THE spectacular collapse of the U.S. company Osborne Computer this month has left some of the best known U.S. venture capitalists with burnt fingers and tarnished reputations. Admittedly the loss of some $27m or more will hardly dent the financial resources of Osborne's backers, but the after-effects will ripple through the venture capital community for months to come.

In particular, the Osborne story raises question marks over the widely publicised claims of venture capitalists that they are closely involved with the management of the companies they support. The evidence so far suggests a surprising lack of inside knowledge on the part of Osborne's venture capital backers.

These investors have now filed a suit for fraud against Osborne, once the leading manufacturer of "portable" personal computers but which has filed for protection from creditors under U.S. bankruptcy laws (the UK company is unaffected and is still trading). The suit alleges misrepresentation of Osborne's financial position and negligence on the part of the company's directors, auditors and banks.

In preliminary hearings last week, the investors failed to block the banks from cashing $7m in letters of credit issued to Osborne. The case is due to be heard on Friday. Osborne is reported to have denied all charges made against the company, although no response has yet been filed with the court.

Will Osborne's disastrous fall from fame make venture capitalists more cautious? "I hope so, but I'm afraid not," responds Michael Murphy of Venture Capital Management in San Francisco. "There is so much venture capital money — so many new funds—so many new people. Venture capital is a very competitive business now."

Competition — the race to make a deal before someone else—forces venture capitalists to make quick decisions on whether to invest in companies of which they have little knowledge, and sometimes to agree to overpriced shareholdings.

Melchor: burnt fingers

"Some venture capitalists are cutting corners," says Craig Taylor of Asset Management Company in Palo Alto, California, "and it is not just the newer funds," he adds, speaking as an established venture capitalist himself. Short cuts increase the risks, however, as the Osborne case clearly illustrates.

As in many venture capital deals, most of Osborne's investors followed the lead investor who, in this case, was Jack Melchor, and relied on his judgment and involvement with the company as a guide to its likely success; he controls a number of substantial venture funds and at one time managed the £2m Anglo-American Venture Capital Fund owned by the British Technology Group. (He now acts as a consultant to Anglo-American.)

Though other early investors in Osborne, such as the Sevin Rosen group, held back from providing further funding, Melchor continued ploughing money into Osborne as late as June—just three months before the company collapsed.

The venture funds that Melchor controls are among the plaintiffs in the fraud suit, while Melchor himself, who sat on Osborne's board, is named individually as a defendant in the case and declines to make any comment as the litigation is pending.

It is typical for the lead venture capital investor to adopt a "bands-on" relationship with the company and to join the board. Explains Murphy of Venture Capital Management: "If the lead (investor) doesn't know what is going on at the company then no one else will." The system usually works well, according to Craig Taylor, but it takes some time for the venture capital director really to get to know the people and the business.

Osborne Computer Corporation only lasted for two years, which gave no one time to know it well. What is now clear, even on the admission of one of the defendants in the fraud suit, is that until very recently there were no proper financial controls at the company. Perhaps this is not surprising in a company that had sales of over $70m in its first year of operation. But many would argue that venture capital investors should have been on the lookout for these problems. It is easy to say that in retrospect, respond the venture capitalists.

They ignore, however, the fact that industry rumours about instability at Osborne Computer were circulating as early as May. The company's new "Executive" computer, announced in April, was not well received.

"They were seduced by the idea of a quick hit," suggests Murphy, referring to venture investors who bought warrants from Osborne in April, expecting the company to make an initial public offering a few weeks later. "It is particularly embarrassing that the company went down so fast," he adds.

"Certainly this will have a dampening influence on an entrepreneur's ability to get venture capital money," says David Gold, a San Jose venture capital consultant.

But those who will suffer most from Osborne's demise will be the dozens of companies expected to enter the personal computer market this year. "There will be 30 new portable computers introduced at Comdex (a trade show to be held in Las Vegas in November)," says Taylor. He does not plan to invest in any of them.

In brief...

THE next national conference for the 1983 European Year of Small and Medium Sized Enterprises will be held in Ireland on Thursday and Friday. "Marketing in the EEC—problems and solutions"—will take place at University College, Galway, and will include contributions from a number of Irish and Continental businessmen. Details from Small Firms Association, Confederation House, Kildare Street, Dublin. Tel: 779801.

The UK conference, meanwhile, has been scheduled for November 17 to 18 in Edinburgh and will be specifically concerned with the relationship between large and small firms and the practicality of introducing discriminatory legislation benefitting SMEs in the U.S. and Japan. Officials from the U.S. Small Business Administration will be among the speakers. Details from 21 South Terrace, London, SW7, tel: 01-589 1945.

●

TWO competitions have just been announced aimed at encouraging female entrepreneurs.

Philips Business Systems has joined forces with Options Magazine for the 1983 "Women Mean Business" award to find women "who are successfully running their own business enterprise, large or small, as well as a home." The closing date is November 30.

The British Association of Women Executives, meanwhile, in association with the European Year of Small and Medium Sized Enterprises, is sponsoring the new Businesswoman's Enterprise Award. The judging panel, headed by Lord Lever, will be looking for "a candidate who displays entrepreneurial flair and business acumen, together with initiative with regard to new opportunities and exploitation of them." Entry is open to any full time female employee or company director who has a minimum of two years' employment in her organisation, or a minimum of three employees or a financial stake in the company.

●

DUN and Bradstreet has reprinted its booklet "The pitfalls of managing a small business—and how to avoid them." It highlights the do's and don'ts in running a small company and includes some suggestions for tackling the problems. Available from 26-32 Clifton Street, London EC2P 2LY. Price £1.50.

Why companies are not automatically attracted to free handouts of £100m

Tim Dickson continues a series on major Government initiatives

"AUTOMATE or liquidate." That is the challenge facing a host of British small engineering firms. But with time running out for companies to apply for help under a major Government incentive scheme, obeying even that maxim appears to be no guarantee of survival.

For according to Colonel Bill Williams, Director General of the Engineering Industries Association, "'Automate or Liquidate' is frequently now quoted as 'Automate *and* Liquidate'."

His words are particularly apt as the deadline approaches for last applications under the Government's second Small Engineering Firms Investment Scheme. The scheme provides a one-third grant to companies investing in certain types of advanced capital equipment. But although the shutters do not come down until this Friday it is clear to even the most optimistic officials in the Department of Trade and Industry that a significant chunk of the £100m made available under the Scheme will not be taken up.

The most widely quoted explanation is a straightforward one—many businesses simply do not see sufficient orders round the corner to justify taking on the extra financial commitment.

Even some of those that are taking advantage of the scheme admit that there is a gamble involved. Take Eric Judd, managing director of Penshaw Engineering, based at Washington, County Durham, which was featured on this page last year (see FT November 23 1982).

Judd's experience illustrates vividly the rapid speed at which technology can move. For, although he is "busier than ever" as present providing sub-contract engineering services on traditional electro mechanical machines, he is highly conscious that numerically controlled machines are increasingly capable of carrying out the sort of "small batch" orders with which Penshaw has made its mark.

"I have applied for grants for two machines," he reports, "but there is a lot of spare NC capacity in this area at the moment. We haven't got the orders to justify the expense. But the way things are changing you've just got to take this sort of risk. Mind you, I wouldn't be able to if I had to finance my share of the costs with new borrowing rather than retained profits."

A company hoping to reap more immediate benefits from new CNC machines is a medium-sized West Midland manufacturer of metal working machinery (turnover last year £15m) which does not wish to be identified. "We had been talking about the need to purchase new equipment for some time," explains its finance director. "With Sefis 2 the proposition suddenly became viable." Orders totalling £130,000 for two machines, both made in Britain, have now been placed and will, the company's spokesman points out, "significantly increase our turnround time and efficiency, given that we work to very close tolerances.

"Fortunately our order book is healthy at the moment but it's a hell of a rat race, especially as 70 per cent of our sales go overseas. I can quite understand why people do not want to invest when their business is flat."

Frank Roberts, managing director of Ashton-under-Lyme-based sub-contract engineers, Millwood Engineering, is somebody in just this position. Three years ago annual sales were running at £100,000 and the company provided work for 12 men. Now there are only three employees and turnover has dropped to £40,000.

"Money will be left over from Sefis 2," says Roberts, "because everyone is already in hock to the bank. Although the scheme sounds a good deal, companies still have to pay two thirds of the costs out of their own resources. Most businessmen I know are so heavily in debt that they just daren't borrow any more."

Roberts says the only way the Government can help him is "to provide a free machine, and back that up with guaranteed orders."

It has disappointed many that Sefis 2—launched this March in the wake of the much applauded Sefis 1—has not been the box office blockbuster many small firm watchers had predicted.

Whereas the £30m set aside for Sefis 1 last year was snapped up inside 8½ weeks anything between £10m and £30m of the £100m made available under Sefis 2 could be left in the kitty this week. (Ministers insist that the deadline will *not* be extended.)

At the latest count (September 16) just under 4,000 small engineering companies planning projects with a total cost of £190m had applied for help under Sefis 2. Firm offers have been made for just under half, implying a total grant commitment so far of around £32m. Though assuming most of the others are successful this will rise to at least £60m.

The acid test of both Sefis 1 and 2 is whether new equipment purchased by companies with Government support will improve unit costs, boost order books, and safeguard jobs. According to the DTI the findings of a hitherto unpublished study of businesses which have already installed machines with the help of Sefis 1 offer encouraging evidence on these points.

Some companies, meanwhile, complain that the Sefis 2 conditions have been drawn too tight and that as a result worthy applicants have been turned away. Victor Elliott, for example, finance director of Lanark-based Bardrec, found his company was excluded because it bought two small machines at a total cost of £70,000 under Sefis 1. "We would only have qualified for Sefis 2 if we had bought one machine under the earlier scheme, though the aggregate costs of both projects can be as much as £200,000. It seems anomalous."

Bardrec, which makes precision parts, is keen to buy another high quality CNC machine since the help received under Sefis 1 has improved the company's competitive edge and boosted orders. "Because we can't extend our range of services without the machine, we have just had to lay off nine employees."

Richard Howling, chairman of Dorset-based Lingard Industrial Holdings, is one of many capital equipment *manufacturers* (as opposed to purchasers) frustrated by the fact that the rules of Sefis 2 have excluded certain machines. Lingard's Polyurethane Mixing and Dispensing machines are used by the National Coal Board to make containers and, according to Howling, the market is expanding. "Although it has some fairly sophisticated bits of electronics, it is not microprocessor based and thus does not qualify. As a result we have lost a couple of important orders this year.

"I think it is a pity that Sefis 2 has encouraged people to buy machines for areas of the market which are suffering from overcapacity."

Outside observers, meanwhile, are left wondering whether the Sefis "underspend" will be allocated for a similar purpose or whether the Treasury will gratefully sweep it up with other departmental "savings."

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Travis & Arnold up by 59% midway

A STEADY increase in demand for timber and building materials from the construction industry caused taxable profits of Travis and Arnold to surge by 59 per cent from £2.55m to £4.06m in the first half of 1983.

However, Mr E. R. A. Travis, chairman, points out that part of the increase was due to the poor start made in 1982 caused by severe weather conditions.

With earnings per 25p share of this builders and plumbers merchant and timber importer given ahead at 13.2p, against 8.8p, the interim dividend is being raised from 1.4p to 1.68p net. For 1982 a total of 5.46p was paid from taxable profits of £7.49m and stated earnings per share of 28.5p.

The recovery in demand—which was particularly from the private housing sector—continued in July and August, Mr Travis states, and the directors look forward to a satisfactory outcome for the year.

Sales advanced from £45.8m to £54.93m, and trading profits moved ahead by 82 per cent to £3.67m. Investment income fell from £532,000 to £391,000 mostly because of lower interest rates. Tax took £1.8m (£1.04m) and after preference dividends of £14,000 (same) the attributable profits emerged at £2.25m (£1.49m).

The figures have been adjusted to take account of the sale in September of the domestic coal merchanting subsidiary Welland Fuels—which accounted for less than 2.5 per cent of annual sales and profits.

HIGHLIGHTS

Lex looks at the financial markets where the Bank of England resisted any move towards lower base rates but pitched *a new short tap into a buoyant gilt-edged market. In Hong Kong* the monetary authorities continue to face the serious problems of a collapsing dollar. Nearer home the column comments on the BP tender which was completed with a striking price of 435p. Finally Lex looks at the latest move by Saatchi and Saatchi. The company has filed a preliminary registration document with the SEC in New York taking the opportunity to raise over £25m with an issue of 4.83m shares.

● comment

Having striven to reduce overheads and maintain margins when demand for timber and building materials was firmly in reverse, Travis and Arnold found itself well placed to profit from the recent increase in demand from the private housing sector. However, the 59 per cent increase in pre-tax profits on the comparable period has been flattered by the dampening effect poor weather had on sales in early-1982. That was followed by a seasonal winter advance in sales of central heating and plumbing products, which account for 35 per cent of turnover. Add in property gains and these results end up slightly down on the previous six months' profits. Nevertheless, volumes continue to advance and trading margins have widened a couple of points to nearly 7 per cent—not far short of T and A's performance during the 1979 surge in house prices. The cash pile has grown to £7m-£8m and should remain at that level in the current half, since no major growth in working capital requirements is expected. All the same, the present improvement in volumes should be enough to push T and A up to around £8.5m pre-tax for the year. That leaves the shares, at yesterday's price of 327p up 7p, on a prospective p/e of just under 11, assuming a 40 per cent tax charge.

Raglan down—but first payment since 1974

BY WILLIAM COCHRANE

Raglan Property Trust is to pay its first dividend since 1974, with a recommended final payment of 0.075p per share for the year to March 31 last.

Reported profits for the year are down from £383,000 to £285,000 before tax. The figures, however, are complicated by the incidence of development profits on the first three phases of an office project at Cowley, Oxfordshire.

The board took in a contribution of £513,000 on this account in 1981-82, but only £244,000 for last year, profits on one phase *being left out because it was not* then fully let. Raglan's chairman, Mr David Anderson, said yesterday that the pre-tax total would have been "nearer £500,000" with the inclusion of this item.

The effect of this decision is mitigated for 1982-83 by a surplus on sale of investment properties *(largely one with no rent review* until 1992); for the current year, observers estimate that the Cowley development will help profits into the £700,000—£800,000 bracket.

In the meantime, net assets have risen from £2.25m to £3.64m in the year to March 31, the increase of 62 per cent reflecting last autumn's £1.19m acquisition of Kvaerner House in Slough. Net assets per share are up 12.7 per cent to 6.2p; the Kvaerner acquisition was equity-funded.

In its preliminary statement the Raglan board says that it has a projected development programme currently in excess of £25m. Current developments are all progressing well and the outlook, says Mr Anderson, "is brighter than for many years."

Mr Anderson added yesterday that Raglan was concentrating on *the sort of projects which were* currently fashionable — small office, retailing and a "high tech" industrial park on the outskirts of Oxford. The company's tiny in-house team was also limiting its geographic exposure to the South of England, he said.

This approach, he said, was necessary in view of the company's condition. Raglan was one of the smaller companies which survived the property crash of the mid-1970's. "For four years after that," said Mr Anderson, "we were working with virtually no assets, no income, but a pub*lic company overhead."*

He has tackled bigger projects in previous jobs with Arndale, and Town and City Properties. It is partly this, said stock market sources yesterday, which has kept the shares—unchanged at 8p—at a premium over asset value when the norm for property *shares is a discount.*

This potential for bigger things is also used to explain Raglan's institutional backing—from Kleinwort Benson, M & G, Scottish American Investment and Northern Securities—when it bought Dido Investments nearly two years ago, and the involvement of the same four plus Schroder Wagg in the Kvaerner acquisition.

The acquisitions have brought a degree of stability to the company, its rental income rising from £65,000 in 1981-82 to £145,000 last year, or £225,000 on an annualised basis.

Mr Anderson said that he would be looking for further deals: development in partnership might be one way, and the acquisition of companies with underutilised property assets could be another.

Suter buys 7% of Francis Inds.

BY CHARLES BATCHELOR

HAIRDRESSING, refrigeration and air-conditioning equipment maker Suter has taken a 7.2 per cent stake in Francis Industries, the Halifax-based packaging and car components group.

Suter's 800,000 Francis shares *were worth £432,000 at yester*day's closing price of 54p, up 2p. Suter was an unchanged 70p.

Mr Ron Schofield, Suter's company secretary said: "I would rather not comment at the moment. The company holds a number of investments and this is one of them."

Mr David Burnet, managing director of Francis, said: "I can only think they have seen us as a good investment opportunity. There would not seem to be any *industrial logic in* their having further designs on us. Our business is a long way from their air conditioning and refrigeration."

Francis makes packaging and industrial products mainly for the petrochemical, food, paint and automotive industries. Pre-tax profits fell to just £24,000 in 1982 from £1.74m on turnover up to £32.7m from £29.9m.

Grantham-based Suter made pre-tax losses of £1.26m in 1982 *compared with profits of £574,000* in the previous 19 months. Turnover was £58.2m against £45.1m.

Suter last month slightly increased its holding in Lake and Elliott, a maker of steel castings, to just under 15 per cent.

Exent emerges as bidder for Helical Bar

BY ANDREW ARENDS

Exent, the engineering and electronics group, emerged yesterday as the bidder for Helical Bar with an agreed offer for nearly 51 per cent of the shares valuing the company at £1.89m.

Through a wholly-owned subsidiary, Exent is tendering for 1.45m shares in the troubled steel stockholder and steel reinforcements concern at 65p per share. Exent, at present, holds no shares in Helical Bar.

Exent, which is controlled by Mr R. D. Tringham, his wife, and Castle Finance, a subsidiary of Norwich Union, intends to maintain the quote, and its brokers, J. M. Finn, have agreed to place shares in excess of 51 per cent acceptances in the market.

The four current directors of Helical Bar have agreed to maintain a 14.8 per cent stake in the company. Exent plans to appoint five directors to the Helical Bar board after the offer document is issued.

Helical Bar shares yesterday closed 10p up at 85p.

Utd. Friendly optimism on general account

United Friendly Insurance expects its general branch account to return to an underwriting profit this year, despite a continuing rise in theft claims. Premium income in the first six months of 1983 on general *insurance business rose by 12* per cent from £20.39m to £22.91m and the better weather last winter substantially improved the claims experience on the householder account.

However, an industrial dispute, now settled, held back growth in new life business in the first six months of the year, particularly in the industrial branch. Here new annual premiums fell by nearly 5 per cent over the period from £9.41m to £8.97m.

New annual premiums in the ordinary branch increased by 6 per cent from £1.34m to £1.42m. United Friendly being one of the few traditional life companies not to benefit from the changeover to MIRAS.

The interim dividend is lifted from 3.05p to 4p, but part of this rise is being made to reduce disparity with the final payment.

Stone Intl. turns in £3m net —pays 27p

Stone International—which was formed when management bought out the electrical division of Stone-Platt Industries from its joint receivers in May 1982—has reported net profits after tax of £3m for the year to May 31, 1983.

With earnings per share given as 325p the year's dividend is set at 27p. No comparative figures have been given.

Sales amounted to £64.3m and operating profits came to £6.5m.

Mr B. P. Jenks, chairman, says that a strategic objective of the company is to seek a full listing on the London Stock Exchange at some appropriate time in the future—possibly during 1984—as an aid to its long-term business development objective which involves reviewing areas of product and market interest for licensing, joint venture or acquisition.

At the beginning of the year under review, Mr Jenks says the order book stood at £45.7m. Further orders taken during the period amounted to £81m result*ing in* an increase in the unexecuted orders level at May 31 1983 of £62.4m.

Problems expected to be encountered following the difficult period prior to and during receivership have largely been overcome and the financial effect *fully* provided for, Mr Jenks reports.

"The company's financial position is sound, your directors are alert to opportunities, and have confidence in the future," he adds.

A. C. Cars improves

A decrease in pre-tax losses from £163,000 to £89,000 has ben shown by A. C. Cars for the six months to the end of March 1983. Turnover of this maker of high performance cars and lorry bodies moved up *from £799,000* to £1.27m.

There was again no charge for tax. Minorities took £2,000 (credit £4,000) and there were extraordinary debits last time of £15,000.

At the end of the last full year *losses climbed from £191,664 to* £361,669, mainly arising from engineering and bodybuilding activities. The directors had little confidence in the future until such time as there was a real upturn in the economy.

Thomson T-Line

Lower first half losses and expectations of a return to profits have been announced by Thomson T-Line, timber merchant.

Interim trading losses, for the six months to June 30 1983, were reduced from £140,000 to £6,000, and the pre-tax deficit to £67,599 against £241,629 after a lower interest charge of £61,256 compared with £101,866.

Turnover came to £896,863 (£1.19m).

During the opening period the company continued to realise surplus assets. With further sales of fixed assets expected, the directors say that indebtedness to the bank should continue to be reduced.

Once all the sales have been completed the group *should re*turn to profitability, they add.

There is again no ordinary dividend distribution, the last being a 1.75p final paid in respect of the 1979 year.

With the absence of a tax charge (credit £41,000) coupled with an extraordinary credit of £38,000 (nil), being over-provision in the previous period for tax on extraordinary gain, attributable losses fell from £200,629 to £29,599. The loss per 25p share was 0.04p against 12.4p.

For 1982 losses totalled £299,889 (£513,813) with turnover at £1.92m (£2.51m).

Stocktons

Joint receivers have been appointed at Stocktons, a bed headboard manufacturer in Ramsbottom, Lancs.

Annual turnover is about £1.5m and the receivers, Mr P. Ramsbottom and Mr P. T. Masterson of Peat Marwick, are continuing to trade while seeking a buyer for the business.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Arncliffe, Biddle, Brent Chemicals International, Combined English Stores, Estates and General Investments, Hoskins and Horton, I.D.C., Inchcape, Jenks and Cattell, London and *Continental Advertising*, Miles 33, Nimslo International, Northern Engineering Industries, Octopus Publishing, Spring Ram, Tomatin Distillers, Tronoh Mines Malaysia, Watmoughs, James Wilkes.

Finals—Baltic Leasing, Ingall Industries, Ramar Textiles.

FUTURE DATES

Interims—	
Comfort Hotels International	Oct 3
Dwek	Oct 3
English National Investment	Oct 25
House of Lerose	Oct 5
Jersey General Invest. Tst.	Nov 16
Lamont	Oct 3
Longton Industrial	Dec 9
Martin (Albert)	Oct 5
Strikes Restaurants	Oct 3
Finals—	
Bejam	Oct 12
Kalamazoo	Oct 19
Lowland Investment	Oct 21
Raine Industries	Oct 4

LADBROKE INDEX
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Parker Knoll second half leaves profits up 55%

WITH A SHARP reduction in losses at a major subsidiary and increased profits in all divisions, Parker Knoll has been able to increase pre-tax profits 55 per cent from £2m to £3.12m. In the second half pre-tax profits more than doubled from £850,000 to £1.72m.

Turnover for the year to the end of July 1983 increased from £34.93m to £38.84m.

Mr M. H. T. Jourdan, chairman, expresses some optimism for the future, but points out that as far as furnishing markets are concerned there are few indications that they will be any more buoyant in the coming year than they have been in the past.

The net final dividend has been lifted 1p to 6p, which raises the total from 7.5p to 8.5p. Earnings per 25p share are shown as moving up from 17.7p to 27.4p.

Commenting on the period under review, Mr Jourdan says that the seasonal increase in demand during the autumn, which is a feature of the furnishing market, continued into 1983, fuelled by a rise in consumer expenditure and growing optimism that the economy was moving out of recession.

However, he notes that during the last quarter there was a "hesitancy" in that optimism which took the steam out of the market, with the result that the profit fell a little short of expectations.

A breakdown of group trading *profit of £3.29m against £1.96m* shows: Parker Knoll Furniture £1.8m (£1.43m); Parker Knoll Textiles £1.39m (£1.24m); Mercia Weavers £114,000 (£95,000); K. Raymakers and Sons £751,000 (£677,000); Nathan Furniture losses £764,000 (£1.47m).

While the loss for the year was high at Nathan Furniture, Mr Jourdan says the reduction in the loss achieved during the first half continued during the second half. Despite a slack market for cabinets in the last quarter, sales over the year as a whole increased and there was a substantial improvement in margin.

The upholstery division at Parker Knoll Furniture increased sales over the year and this, together with maintained margins, resulted in increased profit.

Home sales of both Parkertex and G P and J Baker fabrics increased in the year and the *directors began to see a recovery* in Baker export orders.

A large co-ordinated range of G P and J Baker curtain fabrics reconstructed from the designs on a patchwork quilt made by Jane Austen has been launched. The Jane Austen Collection has already been sold to an American distributor.

There was a marked improvement *in demand* at K. Raymakers and Sons for curtain velvet from October of last year and, unlike *other* divisions, this continued throughout the financial year.

At *Mercia* Weavers the devel*opment of the range of Axmin*ster carpets has confirmed, which now contributes *substantially* to sales. Sales of Wilton ranges at home and abroad have been increased particularly in the market for special carpets.

Pre-tax profits were struck after net interest payable of £166,000 (receivable £40,000). Tax rose from £717,000 to £1.12m. Extraordinary losses were down from £314,000 to £74,000, leaving the attributable balance ahead from £973,000 to £1.92m.

Dividends will absorb £620,000 against £547,000, leaving retained profits up from £426,000 to £1.3m.

On a current cost basis, pre-tax profits rose from £1.2m to £2.36m and earnings per share were shown as rising from 6.8p to 17p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Camellia Invst. ......int.	4	Oct. 27	3	—	7
Galliford	2.3	—	2	3	2.7
Link House	9.4	—	8.5	13.9	12.3
Mac'd Martin int. 'A' ord	3	Nov. 11	3	—	14
Mac'd Martin int. 'B' ord	1.5	Nov. 11	1.5	—	7
Metalrax Group ......int.	0.67	Oct. 28	0.64†	—	2.09†
Parker Knoll	6	Nov. 5	5	8.5	7.5
Planet Group ....int.	1	Dec. 1	0.7	—	2.2
Raglan Property	0.08	Nov. 8	nil	0.08	nil
Travis & Arnold ......int.	1.68	Nov. 11	1.4	—	5.46
Wiljay ....int.	1.16	Jan. 6	1.16	—	2.41

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

● comment

Parker Knoll is a bit of an investment conundrum. It has taken the worst of the recession with hardly a dent to its profits and sustained its dividends. The balance sheet remains ungeared. Yet one acquisition, Nathan, blots the company's record. Blot—well it's more of an oilslick. Strategically the move into cabinet furniture may have been right but there was probably a better way to go than buying Nathan. That is the dilemma for shareholders. The management has certainly proved its worth in its own house but it seems that the one *time it took a major step out*side it fell on its face. That may be a bit unfair, for Nathan was not P K's first purchase. The textile businesses that have been tacked on are flourishing though inevitably it's the bad news investors remember. Any way, the directors affirm that lessons have been learnt and their ambitions to make further purchases have not been weakened. Next time they are unlikely to be tempted by a "cheap rescue" bid. Given the benefit of the doubt, shareholders should stay put. This year will see further loss elimination at Nathan though it is too early to make a meaningful forecast for the year. Meantime the shares are backed by a rock solid 5.8 per cent yield at 214p.

Memory Computer's £2.7m placing

The *Irish-based USM company* Memory Computer is raising £2.76m by way of a placing of 1,173,513 new ordinary shares at 235p per share. Of the new shares, 1m are to be placed to raise additional working capital, and to repay certain bank borrowings.

The balance of 173,513 new shares is being allotted by way of vendor consideration to pay I£522,763 as agreed for the acquisition of the Olivetti computer business of the Bryan S. Ryan Group.

The placing was carried out by Simon and Coates, and Dublin brokers I. and E. Davey.

Winterbottom Energy

Winterbottom Energy Trust says *its* net asset *value* per ordinary share at close of business on September 23 1983 was 87.1p after deduction of prior charges at par, and 89.4p after deduction of prior charges at market value.

Wiljay

First half taxable profits for 1983 of specialised air compression equipment maker Wiljay slumped from £113,000 to £26,000, on lower sales of £3.52m compared with £3.65m.

Despite a fall in basic stated earnings per 25p share from 5.24p to 0.38p the interim dividend is being maintained at 1.155p net. For 1983 a total distribution of 2.405p was paid from pre-tax profits of £190,000, and earnings per share of 6.59p.

There was again no tax charge.

BP share sale allotments

THE Bank of England announced yesterday the allocations of its offer for sale of 130m BP 25p ordinary shares.

Applications were received for *248,100* shares *from* 1,270 employees of BP and its subsidiaries and these have been accepted in full.

Additionally 72,870 applications at the striking price of £4.35 per share were received for 39.27m shares and accepted in full.

The remaining 90.48m shares were allocated as follows:

● Applications at £4.41 per share and above accepted in full;

● Applications between £4.40 and £4.36:

i Applications for not more than 5,000 shares accepted in full;

ii Applications for over 5,000 and not more than 7,000 shares 5,000 shares;

iii Applications for more than 7,000 shares 70 per cent of the number of shares applied for;

● Applications made at £4.35:

i Applications for not more than 4,000 shares accepted in full;

ii Applications for over 4,000 shares and not more than 25,000 shares 4,000 shares;

iii Applications for over 25,000 shares 15.5 per cent of the number of shares applied for.

The Bank of England said it expected that the Council of the Stock Exchange would authorise dealings to commence, partly-paid, shortly after publication of the allotments announcement. Renounceable letters of acceptance were expected to be despatched to successful applicants on or before September 29

See Lex

UK COMPANY NEWS

Barker & Dobson on target at £273,000

CONFECTIONERY manufacturer and retailer **Barker & Dobson Group** produced pre-tax profits of £273,000 on sales, exclusive of VAT, of £31.67m in the 26 weeks to July 17 1983. This compares with profits of £511,000 earned on turnover of £37.88m in the 40 weeks to December 31 1982.

Mr R. W. Aitken, chairman, says the trading results are in line with the board's expectations at the time of the acquisition of Centre News in July and following the closure of the Liverpool factory last March.

The change in the accounting reference date has considerably changed the weighting of the trading profits between the first and second half of the year and a lower proportion of the annual trading profits has been reflected in the first half. This will be a characteristic of the company's results in future Mr Aitken comments.

There is again no interim dividend, but the directors reconfirm their intention to recommend a distribution in respect of the year as a whole.

Looking to the future Mr Aitken reports that the directors are satisfied that the company has been established on a sound and profitable base and that continued progress can be expected.

Since the closure of the Liverpool factory in March, the transfer of plant and equipment to the company's Bury, Nelson and Dundee factories has been completed and the full benefit of the reorganised production is beginning to show. There was no reflection of this improvement during the period but the advantages will be demonstrated during the second half.

Centre News has been absorbed into the Lewis Meeson chain and is now producing the benefits expected at the time of acquisition. The other shops in the chain are operating in line with forecasts and investment in the acquisition of individual shops and the development of existing shops is continuing.

Taxable profits were struck after interest charges of £286,000 (£335,000) and included an associate contribution of £12,000 (£28,000). There was no tax charge and after extraordinary debits of £130,000 (£1.75m) the attributable profits emerged at £143,000 (losses £1.24m).

The extraordinary item is a provision for loan stock outstanding and a bank overdraft guaranteed by Barker and Dobson in its former Irish subsidiary Lemon and Co. which has gone into receivership. Lemon and Co. was sold in September 1982 and Mr Aitken points out that the costs to the group would have been much higher had it incurred the costs of liquidation.

Mr Aitken intends to hand over the chairmanship to Mr Bill Kenyon, chief executive, after the annual meeting.

Charles Hill losses jump to £1.32m

AFTER taking out pre-acquisition profits of £710,000 for recently - acquired Kennedy Smale, taxable losses of Charles Hill have jumped from £531,000 to £1.32m for 1982. There is again no dividend.

Excluding Kennedy Smale, the directors say that the performance of the remaining companies in the group "has been disastrous." With the exception of the two property concerns, every trading company operated at a loss, all of which, excluding extraordinary items, amounted to a total of £1.07m.

The directors add that swift action has been taken to stem the losses and to reduce bank indebtedness.

With Kennedy's performance well on course to make pre-tax profits of £900,000 for the 15 months ended March 31 1984, the directors point out that the company has a solid and expanding base from which to operate.

And, despite heavy interest charges in respect of the pre-merger, Charles Hill bank borrowings—some £200,000 for the six months to September 30 last—together with the elimination of its loss-making trading companies and the planned sale of certain property investments, should "very substantially reduce bank borrowings" and make possible a small pre-tax profit for the current period.

Turnover for 1982 amounted to £13.92m (£10.26m), excluding Kennedy Smale pre-acquisition portion of £3.73m, and the pre-tax figure was after interest £300,000 (£54,000) and an exceptional debit of £207,000 (nil).

There were tax credits totalling £74,000 (£13,000), an extraordinary debit of £439,000 (£84,000) and minorities credit £4,000 (£42,000). Loss per 10p share is given as 49.5p (41.7p).

Jove Investment

Net revenue of the **Jove Investment Trust** rose from £282,000 to £305,000 for the six months to August 31 1983.

The interim dividend is lifted by 0.1p to 2.1p net per share.

Gross revenue for the period was £591,000 against £599,000. Tax took £127,000 compared with £122,000.

Net asset value per share after dividend payments as at August 31 is given as 51.21p (50.29p) per income share, and 13.02p (nil) per capital share.

Mr P. S. Wright has retired from the board and is succeeded as chairman by Sir David Thomson.

Link House ahead despite three lossmakers

DESPITE losses in its magazines, books and communications' divisions, **Link House Publications** reports pre-tax profits up from £5.65m to £6.4m in the year to June 30, 1983, as a result of the advertising periodicals division improving its operating profit from £6.2m to £7.4m.

Magazines losses were £154,000 against profits of £122,000, losses in the books division increased from £93,000 to £246,000, and communications losses were cut by £100,000 to £122,000.

The final dividend is raised from 8.5p to 9.4p net for a total up from 12.3p to 13.9p. Stated earnings per 2p share improved from 23.09p to 25.79p.

Group turnover for the year increased from £26.25m to £28.21m, and operating profits overall were £6.88m against £6m. The pre-tax figure was after group unallocated overheads of £1.17m (£1.02m) and associates losses of £22,000 (£28,000), but included investment income up from £697,000 to £708,000.

There was a higher tax charge of £3.31m (£2.88m) and an extraordinary debit this time of £39,000.

The directors say that with the improvement in the UK economy in 1983, they hope that this will be reflected in the prospects for publishing.

Much of the group's recent success stems from the advertising periodicals division—its titles include Exchange and Mart and Automart—and it is expected that this division will continue its good record, albeit with the background of falling circulation throughout the publishing industry in the UK.

They say the first priority in 1983-84 must be to restore the magazines and books divisions to profitability. Group liquidity remains strong, and the board will continue to examine acquisition opportunities, particularly those allied to its publishing background.

It was expected that the books' division would return to profitability in the current year, but a further decline in home market sales in the final quarter has delayed the achievement of this target, and it has been considered prudent to make specific provisions against certain titles.

● comment

That faithful old warhorse Exchange and Mart has once again made all the running at Link House. But elsewhere, the ranks are limping heavily. Non-E & M magazine sales and advertising dropped sharply, but the group is sanguine about growth prospects for its specialist trade publications. Management in the magazine division has been restructured and cover designs revamped. The book market was similarly depressed, but Link also fell foul of a misjudged editorial policy. Meanwhile, the decision to pull out of Prestel looks rational since the group only went into videotext to fight a threat to E & M which never materialised. Other forays outside its traditional fields have been even less successful, so it is a relief to see the company concentrating on the core business by introducting regional editions of E & M. Cash balances stand at £7.25m and demands on working capital are slight, but the directors would rather get books and magazines back in the black before galloping off on the acquisition trail. With trading margins running at 24 per cent and a nearly 100 per cent return on capital employed at E & M, Link does not need to take more than a leisurely sniff at new pastures. At an all time high of 476p, up 1p, the shares stand on an historic p/e of 18 with the tax charge at 51.6 per cent.

Strong growth halfway for Planet Group

Strong growth in both sales and profits was achieved by the **Planet Group**, manufacturer of doors and windows, during the first half of 1983.

Sales expanded from £16.06m to £20.54m, with 86 per cent of the improvement attributable to overseas, which increased to £14.43m against £10.57m.

Profits at the pre-tax level emerged at £1.25m compared with £622,000, and £1.02m for the whole of last year. The overseas contribution was up from £834,000 to £1.46m during the first half. UK results continued to be a disappointment with profits falling to £17,000 against £24,000 on turnover of £6.12m (£5.48m). The taxable result was struck after lower interest payable of £237,000 compared with £236,000.

The interim dividend is lifted by 0.3p to 1p net. Last year's total payment was 2.2p with a 1.5p final.

The directors state that in the U.S. a 9 per cent growth in the economy supported a 40 per cent recovery in the sales of all recreational vehicles. They say that Creation Windows Inc, and the newly formed subsidiary Creation Windows, of Georgia, were well placed to benefit from the industry recovery.

Tax took £739,000 (£414,000) giving earnings of 5.1p (2.1p). Extraordinary items totalled £100,000 (£103,000), being costs relating to the disposal of Hardall.

Charterhall back in the black

GOOD second half results at Charterhall have taken this oil and gas exploration company back into the black for the year ended June 30 1983 with £202,000 pre-tax. This is compared with losses last time of £167,000.

At halfway losses amounted to £246,561 (£38,864).

Turnover for the year more than doubled from £1.63m to £3.84m, with UK oil and gas production jumping from £587,000 to £2.5m. The directors say the "considerable" second half improvement was due mainly to the receipt of the group's first Buchan net production income, payout of the Field having been achieved on May 17 last.

Mr Derek G. Williams, chairman, says this provides a firm base from which the group can continue to expand its oil and gas exploration and production interests. During the 12 months significant progress was made, he adds, in all of the five countries Charterhall is involved in.

After a tax credit of £5,000 (£61,000 charge) net profits amounted to £207,000 (£228,000 loss) giving a 5p per share value of 0.53p, against 0.65p losses. The dividend is unchanged at 0.3p net.

Cost of sales took (£2.25m) (£1.24m) leaving a gross profit of £1.59m, compared with £385,000. Administrative expenses were £1.26m (£823,000), other operating income £355,000 (£266,000), interest receivable £81,000 (£192,000), amounts written off investments £54,000 (nil), and interest payable was £504,000 (£187,000).

Depletion and depreciation charged, amounted to £1.04m, against £291,000.

Mr Williams says the group is now in a position where, besides its oil and gas interests, it holds an attractive portfolio of undrilled and partially explored acreage, much of which has great potential for providing further growth in income and reserves.

"The coming years will see a high level of activity aimed at realising some of this potential with a view to placing Charterhall in a strong financial position."

On a current cost basis the pre-tax figure is a £166,000 loss (£261,000 loss).

Galliford setback as profits dip

CONTINUING LOSSES by its precision engineering activities and reduced margins on civil engineering work were the principal reasons for Galliford suffering a setback to its profits at the year-end, say the directors.

Pre-tax profits fell from £3.01m to £2.88m, despite the inclusion of an 18-month contribution of £627,985 from its Singapore subsidiary, Galliford Serhco Pte.

After reporting losses at halfway in the precision engineering division, Mr P. Galliford, the chairman, said then that further re-organisation and reduction in resources should improve the situation in the second half. At the time he said results from other activities were sufficiently encouraging to believe a reasonable overall result could be achieved.

Group turnover of this industrial holding company improved from £59.34m to £68.68m in the year to June 30 1983. Despite the set-back in profits, the final dividend is raised from 2p to 2.3p net for a total up from 2.7p to 3p. Stated earnings per 5p share were lower at 6.99p against 7.11p.

After tax and minorities, net profits came out at £1.77m compared with £1.8m.

The directors say a satisfactory start to the current year has been made by the building activities represented by private housing, contracting and property development, and by the Chorley division. In the year under review, private housing, building contracting and pipe-line services all produced satisfactory results.

While civil engineering contracting companies have an adequate order book, the market is still extremely competitive. The directors add that precision engineering continues to be a "problem area."

They believe a reasonable overall result can be achieved in the year to next June.

Metalrax at £0.7m and sees further improvement

MAINTAINING the improvement achieved last year, **Metalrax Group**, engaged in engineering products and services, recorded an 18 per cent increase in profits for the six months to June 30, 1983.

At the pre-tax level profits rose from £610,000 to £723,000 with turnover 13 per cent higher at £11.56m against £10.21m.

The interim dividend is lifted from an adjusted 0.64p to 0.67p, an effective rise of 5 per cent. Last year's total dividend, after allowing for a one-for-10 scrip issue, was 2.09p from pre-tax profits of £1.64m.

Mr John Wardle, chairman, says that members may be reasonably confident that the final dividend will "at least reflect an equivalent increase," with "a fair improvement in profitability" for the full year.

Retained profits for the first half emerged at £167,000 against £122,000, after tax of £376,000 (£317,000), preference dividends £5,000 (same), and ordinary dividend payments of £175,000 (£166,000).

Mr Wardle concludes that he will be surprised if the healthy bank balance shown at December 31, 1982 is not maintained at the end of December 1983.

With some confidence, he is able to repeat that the year as a whole should show a fair improvement in profitability.

Earnings per 5p share for the opening half improved from 1.1p to 1.31p. Last year, earnings were 4.24p with group profit for appropriation at £1.11m.

Downturn at Macdonald Martin midway

Lower pre-tax profits, down from £517,000 to £474,000, are reported by **Macdonald Martin Distilleries** for the six months to June 30, 1983. Turnover of this Edinburgh-based distiller and blender of Scotch whisky, was little changed at £7.32m against £7.26m.

The interim dividend on "A" ordinary shares is unchanged at 3p, and there is a same-again payment on "B" ordinary shares of 1.5p.

Trading profits fell from £1.01m to £869,000, and the pre-tax figure was after interest charges down from £493,000 to £395,000. After tax of £35,000 (same), attributable profits to members were £439,000 compared with £482,000.

RESULTS AND ACCOUNTS IN BRIEF

MOLYNX HOLDINGS (Ancillary equipment for closed circuit TV)—For half year ended June 30 1983 turnover £644,000 (£410,000 and profit £16,700 (loss £22,500). Trading continues to be very competitive.

ARDEN AND COBDEN HOTELS (Birmingham hotelier)—Results for the six months to June 25 1983. Turnover £596,650 (£644,244): pre-tax loss £5,700 (profit £25,800) after interest £30,718 (£38,715) and depreciation £29,000 (£28,000). Taxation takes £3,000 (£11,000). Mr H. Donald Moffat, chairman, says half year is very disappointing, but the autumn, he hopes, will show some improvement. Next year should be better with a busier programme of exhibitions and conferences at the National Exhibition Centre.

MONTAGU BOSTON INVESTMENT TRUST—Pre-tax shortfall for six months to July 31 1983, £1,000 (revenue £141,900): gross income £224,800 (£186,200). Shortfall was after expenses of £48,100 (£39,100) and foreign currency loan interest, £177,700 (£5,200). Net asset value per 10p share 122.875p (110p at January 31 1983). Board says income shortfall was due to an uneven income stream that will be rectified in the second half. As a result, it is expected that the annual dividend will not be affected. During the period, the loan facility with Midland Bank was increased to US$16m and was fully utilised.

FLEMING ENTERPRISE INVESTMENT TRUST—Results for year to June 30, 1983, already known. Investments at valuation (all in the UK) £21.48m (£15.04m), including listed £14.69m (£10.7m) and unlisted £6.79m (£4.34m): shareholders' funds £21.76m (£15.36m): net current assets £282,421 (£326,483). Increase in liquidity £27,000 (£249,000 decrease). Meeting: P and O Building, 122, Leadenhall Street, EC, October 7, at 10.30 am.

PETER BLACK (Bedding and carpets)—Results for year ended April 30 1983 reported August 15. Shareholders' funds £17.98m (£15.75m): fixed assets £8.49m (£7.21m): net current assets £11.57m (£10.61m). Meeting, Winchester House, EC, October 7, 12.30 pm.

DIAMOND STYLUS—Results for the year to March 31 1983 reported August 5. Fixed assets £573,073 (£532,105). Net current assets £447,289 (£457,475). Meeting, Llandudno, September 28, 12.30 pm.

MALAYSIA RUBBER COMPANY—Results for the year ended March 31 1983 reported August 15. Shareholders' funds £415,948 (£408,386). Net current assets £100,678 (£91,116). Investments £152,053 (same). Meeting, 1-4 Great Tower Street, EC, October 6, noon.

ROUTLEDGE AND KEGAN PAUL (Books and journals)—Results for year ended March 31 1983 reported August 15 Shareholders' funds £2.16m (£2.23m): fixed assets £708,627 (£703,853): net current assets £1.47m (£1.54m). Meeting, Henley-on-Thames, October 5 at 10 am.

HOGG ROBINSON (insurance broker)—Mr Morris Abbott, chairman, told the annual meeting that the year so far, had shown an encouraging performance in all areas of the company's business.

BIDS AND DEALS

Pritchard 'shut-out' position clarified

By Ray Maughan

THE Panel on Takeovers and Mergers has clarified the circumstances by which certain major institutions have allowed **Pritchard Services Group** a shut-out in respect of the bid for **Spring Grove**, the troubled workwear hire and towel rental group.

The institutions have agreed to accept Pritchard's £15m offer in respect of 14.1 per cent of Spring Grove's equity which, with earlier acceptances, gives Pritchard majority control and effectively shuts out a rival bid for Spring Grove from Sunlight Service Group.

Sunlight, which is itself the subject of a £31m bid from Brengreen, has nevertheless pursued its interest in Spring Grove and has made representations to the Panel to the effect that the accepting institutions were given information which had not been made generally available to other shareholders.

The gist of that information, Sunlight supposed, was that Spring Grove would not be likely to survive through the period of a Monopolies Commission reference, but a reference would be more probable if Sunlight's higher offer rather than Pritchard's terms succeeded.

But the Panel made it clear yesterday that it "was consulted before these shareholders were approached and agreed a procedure to be adopted."

It added that it had "made enquiries of these shareholders and has been told by them that they were given no information which was not publicly available, or which was not subsequently made available, to all shareholders in Pritchard's offer document. In addition, the Panel has been informed that those shareholders agreed not to deal in the relevant shares until Pritchard's offer document had been published."

At the same time, Brengreen has written to Sunlight shareholders, pressing its opposed bid before it reaches the first closing date on September 29.

Brengreen has attempted to counter Sunlight's assertion that the PR industry has inflated Brengreen's price with the comment that the defence "clearly under-estimates the intelligence of the investment community."

The Mergers Panel of the Office of Fair Trading—not to be confused with the Takeover Panel—was meeting yesterday and it is understood that all the laundry bids were under discussion. The OFT's conclusions are expected to be passed across to the Department of Trade and Industry today.

Taddale halves Branon bid following slide into losses

BY CHARLES BATCHELOR

Taddale Investments, the industrial holding group, has halved the value of its agreed bid for Branon, oilfield services and construction engineering company, in the wake of Branon's large 1982/83 loss.

The announcement of the lower offer wiped 25p off the Branon share price which closed at 30p yesterday.

Taddale, whose shares are traded on London's over-the-counter market, has been forced to abandon its plan to seek a full Stock Exchange listing. The Stock Exchange's Quotations Committee has ruled that Taddale "did not have an identifiable business activity which had been continuous for the last five years."

Mr Michael Carlton, Taddale chairman, said that the directors were "surprised and disappointed" by the Stock Exchange decision, but it would not affect its development as an industrial holding company.

Taddale is offering one of its own 10p shares for each £1 Branon shares with a cash alternative of 30p a share. This compares with the original bid, made on August 10, of two shares or 60p in cash.

On September 19 Branon announced that a large loss from its Highway Hire subsidiary, which has now ceased trading, together with doubled interest charges, had pushed it into a £1.33m pre-tax loss in the year ended March 31, 1983 compared with a £72,000 profit.

The value of the revised Taddale share offer is £1.54m while the cash alternative is now worth £900,000.

"We were very aware of the problems at Branon, but we were surprised at the level of losses," said Mr Carlton. "We knew all was not well but we didn't know if it was a cold or pneumonia. It turned out to be cancer. But there are still good businesses in Branon. They just need strong management."

Sir Monty Finniston, chairman of Branon and a former chairman of the British Steel Corporation, will join the Taddale board on completion of the deal and will later be appointed chairman.

Branon's 20 per cent stake in Cavendish Petroleum is the main attraction of the deal for Taddale while Branan also supplies construction and road maintenance equipment and designs and makes oil lubrication and filtration equipment.

Taddale is making no change in its earlier announced plans to make a three-for-five rights issue of 21.35m shares to raise £6.4m before expenses.

Full acceptance of the revised offer will lead to the issue of 3.1m shares representing 5.03 per cent of enlarged equity, after the rights issue.

Taddale has been advised by Henry Ansbacher while Grindlay Brandts has advised Branon.

Taddale's shares were traded at 48-52p on the over-the-counter market yesterday compared with Friday's close of 45-49p.

BCA pays £2.4m for 20% stake in Sandgate

British Car Auctions has paid $3.6m (£2.39m) for a 20 per cent stake at $18 per share of Sandgate Corporation of Delaware. Traded on the American Stock Exchange, Sandgate operate a vehicle leasing business through North America and a Ford dealership in the New York City area.

The consideration has been met by placing some 1.3m ordinary BCA shares in the market, mainly with institutions, at 185p per share. BCA's last issue was the March rights which raised £6.85m at 155p per share.

The purchase, BCA believes, is an "advantageous investment" in vehicle leasing and vehicle dealership which will complement BCA's existing auction interest in the U.S.

BCA, which holds a 25 per cent stake in Group Lotus, has committed over £18m to build up Anglo American Auto Auctions in a chain of Mid-western auctions over the past 18 months, and is now discussing the possibility of merging Sandgate with its existing U.S. operations.

A likely conclusion would be that Sandgate issues more stock to BCA, but no decision is expected for a year or more given the many uncertainties to be resolved.

BCA acquired its holding from the Sandgate chairman, Mr Harold L. Oshry, and his family.

Hanson Tst. sells 16 Orbit shops to Dixons for £8m

BY RAY MAUGHAN

Dixons Group, formerly Dixons Photographic, is acquiring UDS Group's chain of 16 Orbit hi-fi and video shops for around £8.1m.

Hanson Trust, which acquired UDS earlier this year, is to receive £5.7m for Orbit's properties and other fixed assets, and £2.4m for stock.

Completion is scheduled for September 30 and the chain will trade under the Dixons' banner from October 3.

The consideration will double Dixons' planned spending on its retail division in the year to April 1984. The group raised some £21m gross in July with a six-for-25 rights issue and paid £4m last month for William Whittingham's film processing subsidiary, Colortrend.

Hanson Trust has already exchanged contracts for the £40.4m sale of William Timpson, the shoe retailer and repairer, from UDS and subscriptions are this week being sought in respect of the management buy-out of UDS John Collier and Richard Shops clothing chains at £105.5m.

Milbury share offer for Westminster

Milbury, housebuilding subsidiary of Mr Jim Raper's St Piran company, is expected to offer nine of its own shares for every four of Westminster Property Group when the bid terms are announced on October 10.

Mr Raper has already agreed to make a 35.5p cash offer for the 55 per cent of Westminster he does not already own under his reconciliation with the Take-Over Panel reached earlier this month.

Discussions with the Stock Exchange quotations committee over the relisting of Milbury's shares are continuing. Henry Ansbacher, merchant bank, is advising Mr Raper and will underwrite the share offer.

ROBOSERVE ACQUIRES DATALECT COMPUTER

...Roboserve, privately-owned catering and vending concern, has acquired Datalect Computer Services.

Datalect offers sales and servicing of a wide range of microcomputers, as well as technological expertise on hardware, software, computer personnel training and applications.

Mr Peter Watts, managing director of Datalect, says that with the financial backing and service reputation of Roboserve, the company is in a strong position to expand.

British Benzol expands

BY ANDREW ARENDS

British Benzol Carbonising the coke and smokeless fuel manufacturer, is to acquire J. C. Abbott, the privately-owned Birmingham-based distributor of solid fuels for £706,000.

The deal is to be financed by the issue of 4.97m British Benzol ordinary shares and £10,000 in cash. The vendors of Abbotts are placing 4.92m of these shares at 14p per share with Anglo United Development Corporation, a Canadian company, in a deal underwritten by the English Association Trust, which is acting as financial advisors to British Benzol.

The deal is conditional on the approval of the BBC shareholders at an extraordinary general meeting scheduled for October 12.

BASE LENDING RATES

A.B.N. Bank	9½%	Heritable & Gen. Trust	9½%
Al Baraka International	9½%	■ Hill Samuel §	9½%
Allied Irish Bank	9½%	C. Hoare & Co. †	9½%
Amro Bank	9½%	Hongkong & Shanghai	9½%
Henry Ansbacher	9½%	Kingsnorth Trust Ltd.	11 %
Arbuthnot Latham	9½%	Knowsley & Co. Ltd.	10 %
Armco Trust Ltd.	9½%	Lloyds Bank	9½%
Associates Cap. Corp.	9½%	Mallinhall Limited	9½%
Banco de Bilbao	9½%	Edward Manson & Co.	10½%
Bank Hapoalim BM	9½%	Meghraj and Sons Ltd.	9½%
BCCI	9½%	Midland Bank	9½%
Bank of Ireland	9½%	■ Morgan Grenfell	9½%
Bank Leumi (UK) plc	9½%	National Bk. of Kuwait	9½%
Bank of Cyprus	9½%	National Girobank	9½%
Bank of Scotland Ω	9½%	National Westminster	9½%
Banque Belge Ltd.	9½%	Norwich Gen. Tst.	9½%
Banque du Rhone	10½%	R. Raphael & Sons	9½%
Barclays Bank	9½%	P. S. Refson & Co.	9½%
Beneficial Trust Ltd.	10½%	Roxburghe Guarantee	10 %
Bremar Holdings Ltd.	9½%	Royal Trust Co. Canada	9½%
Brit. Bank of Mid. East	9½%	Standard Chartered ‖	9½%
■ Brown Shipley	10 %	Trade Dev. Bank	9½%
CL Bank Nederland	9½%	TCB	9½%
Canada Perm't Trust	10½%	Trustee Savings Bank	9½%
Castle Court Trust Ltd.	10 %	United Bank of Kuwait	9½%
Cayzer Ltd.	9½%	United Mizrahi Bank	9½%
Cedar Holdings	10 %	Volkskas Intnl. Ltd.	9½%
■ Charterhouse Japhet	9½%	Westpac Banking Corp.	9½%
Choulartons	10½%	Whiteaway Laidlaw	10 %
Citibank Savings ¶	10½%	Williams & Glyn's	9½%
Clydesdale Bank	9½%	Wintrust Secs. Ltd.	9½%
C. E. Coates	10 %	Yorkshire Bank	9½%
Comm. Bk. of N. East	9½%		
Consolidated Credits	9½%		
Co-operative Bank *	9½%		
The Cyprus Popular Bk.	9½%		
Dunbar & Co. Ltd.	9½%		
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%. 1-month 6.25%. Short-term £8,000/12-months 8.6%.
† 7-day deposits on sums of: under £10,000 6%. £10,000 up to £50,000 7%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6%.
‖ 21-day deposits over £7,000 7%.
§ Demand deposits 6%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—9.15%. Effective annual rate—9.54%.

MINING NEWS

Impala takes a cautious line

BY KENNETH MARSTON, MINING EDITOR

BECAUSE of the effects of inflation South Africa's **Impala Platinum Holdings** does not expect any "significant" improvement in profits in the current year to next June. The group's mines are thus continuing to operate at reduced levels and stocks have been reduced to acceptable proportions.

Mr Ted Pavitt, the chairman, says in the annual report that some increase in platinum consumption by the traditional users is expected this year. He feels, however, that it will be some time before world economic recovery boosts platinum demand from the chemical, glass and petroleum industries.

Demand from the automobile industries in the U.S. and Japan continues to pick up. The prospect of an important new market for platinum is held out by proposed legislation in several Western European countries to control exhaust emissions and to limit the lead content of petrol but, here again, Mr Pavitt says that this new demand is unlikely to be significant before 1990.

Impala remains the only major producer of platinum to base its sales on the producer price which is currently $475 per ounce, although it is generally thought that this does not prevent some flexibility being applied. Mr Pavitt says the policy is to be maintained whereby metal is supplied "under contracted terms which ensure prices which are reason able and stable."

The rival **Rustenburg Platinum Holdings** broke away from the producer price policy in January to sell on the basis of the free market price, as does Canada's **Inco** and **Lonrho's Western Platinum**. Soviet metal also supplies the free market where the current price is around $432.

In the year to last June Impala's pre-tax profits recovered by 12.9 per cent to R174.9m (£105m) while those of Rustenburg for the 10 months to June 30 expanded by 76.2 per cent to R151.2m from the level of the previous 12 months when the company had a particularly tough time.

Rustenburg also managed to reduce its stocks and did particularly well in the final four months of its financial period when it was selling on the basis of free market prices.

What remains to be seen is whether Rustenburg's earnings will again show a greater increase than those of Impala in the current year and, incidentally, how both companies will benefit from the promotion of platinum coins.

Gold Fields' talks on sale break down

TALKS BETWEEN London's **Consolidated Gold Fields** and **Ingersoll-Rand** of the U.S. over the sale of parts of the ill-fated Skytop Brewster oil drilling rig business have broken down. The two sides were apparently unable to agree on a final price.

Gold Fields' shares reacted quickly to the news in London, with a fall from 595p to 580p immediately after the announcement. The price later edged even lower to close at 577p, down 18p on the day.

This reaction seems a little overdone, as Gold Fields has already written the value of its investment in Skytop Brewster down by £87m. The group said yesterday that this provision still looked about right.

Gold Fields originally announced in July that it had reached an agreement in principle with Ingersoll-Rand over the sale of the Skytop Brewster name, design rights and goodwill. The reported price was US$15m (£10m).

None of the property, plant or equipment at the manufacturing facilities in Victoria and Conroe, both in Texas, was involved in the sale.

The business is still making an operating loss of around $1m per month, but cash flow is positive as Gold Fields continues to sell from stocks, albeit at below book value.

The group initially announced that it would give itself two years to dispose of the Skytop operations. It now plans to resume talks with other interested parties.

INTERNATIONAL ROUND UP

A RETURN of capital of 20 Australian cents (11.8p) per share has been approved by a general meeting of shareholders of **Mary Kathleen Uranium** (MKU).

The payment, which has still to be approved by the Supreme Court of Queensland, is expected to be made towards the end of November.

MKU was Australia's first uranium mine. Mining operations ceased in October 1981, but the company has continued to earn profits from sales from its stockpiles. These are expected to continue until the end of next year.

CRA, the Australian arm of the **Rio Tinto-Zinc** group, has a 51 per cent stake in MKU.

* * *

Canada's leading natural resources group **Noranda Mines** has reached a general agreement with the Pez group of companies, controlled by Mr Murray Pezim, under which the Pez group will fund exploration work on Noranda's precious metal projects in Canada.

Separate agreements will be made on individual projects. Under the general agreement, the Pez group will provide the initial risk capital, with Noranda having participation rights when further financing is required.

The two groups expect that as much as C$40m (£21m) may be committed by the Pez group under the arrangement, which is additional to Noranda's own exploration programme.

* * *

The share issues by the **Buffelsfontein** gold mine in South Africa necesary for the acquistion of the new **Beatrix** mine in the far south of South Africa's Orange Free State have been approved by the recent general meeting.

Buffels now has 11m ordinary shares in issue, with a further 20,000 non-cumulative preference shares authorised and placed under the control of the directors.

Some or all of the latter group of shares will be allotted to Beatrix in part payment of last August's agreement between the two mines, both part of the **Gencor** group, under which Buffels will mine the Beatrix deposit.

Homestake ...ning, the biggest gold producer in the U.S., has broadened its interests to include part of the Hemlo gold camp in Ontario, Canada.

The group can earn an interest of up to 50 per cent in a 31-claim prospect held by the Vancouver-based **Tylox Resource Corporation** for the expenditure of C$1m (£526,000), with future spending on a 50/50 basis.

If Tylox chooses not to participate after the first C$1m, its interest may fall to a minimum of 25 per cent of any net profits.

* * *

September 30 has been set as the date for the separation of **Hudson Bay Mining and Smelting's** recent offer of special shares and share purchase warrants. Each unit in the offer of 5.5m special shares and 2.75m warrants consisted of one share and half a warrant.

The special shares will be exchangeable for shares in **Inspiration Resources**, Hudbay's new parent company, between October 1 1983, and July 6 1993, while the warrants entitle the holder to buy one special share of Hudbay at C$20.50 (£10.80) between October 1 and August 9, 1986.

The offers were made as a result of the recent restructuring of the north American interests of **Minerals and Resources**

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday September 27 1983

Britoil taps the Euromarkets for $100m, Page 38

WALL STREET

Brief pause precedes new heights

MONEY SUPPLY euphoria was conspicuous by its absence on Wall Street stock markets yesterday as the usual Monday morning hangover from Friday night's weekly M-1 figures failed to manifest itself at first in a determined move in any direction, *writes Gordon Cramb in New York.*

A mid-afternoon revival, however, again took the Dow Jones Industrial average into uncharted territory. After wavering during the morning either side of its pre-weekend close, it closed up 5.18 at 1260.77, a new record.

The 910 issues overall which showed gains were offset by 678 with losses on the day. Volume reached some 86.83m shares.

This lack of initial motivation was, however, seen less as a sign of any fundamental distress than as an understandable symptom of a market which has been well fed with gains and needed occasional pauses for digestion. In the course of last week, the Dow put on 29.88 and twice set new peaks, the second coming on Thursday at 1,257.52.

The blue chip rises were attributed in part to institutional window-dressing as the end of the quarter nears this Friday. Relatively few issues in the broader market had recorded new highs in tandem with the Dow

While further rallies remained in prospect, those which were mistimed or too thinly based were prone instead to precipitate steepish falls, one analyst said.

Credit markets, which saw substantial rate markdowns in the final hour of last week after M-1 emerged $3.1bn down, underwent modest early adjustments to provide further improvements at the short end but a slight tug downward in longer-dated prices.

For the first time since September 14 the Federal Reserve allowed its usual mid-morning intervention period to pass without moving to aid liquidity. Fed Funds, bid as low as 8¾ per cent on Friday, edged up to 8⅞ but remained still well below the recent 9½ midpoint.

With last week's $14.25bn Treasury funding programme successfully accomplished, the way is now clear for the Fed to act more on its own motivations rather than be required largely to play escort. Clear signals of its thinking on rates were still being sought yesterday, however, although an easing in policy has been discerned in some quarters.

In the stock market, many smaller airlines were given a rough ride after news of Continental's appeal to the bankruptcy courts to help disentangle its labour problems. Texas Air, the largest shareholder of Continental, slid $⅝ to an early $5¼ in dealings on the American Stock Exchange, but later rallied to $⅛ off $5½.

Those regarded with similar ill favour on the Big Board included Eastern, off $⅝ at $5, and Western, down $¼ to $4⅛. Ozark Air, also actively traded on the Amex, was $¾ lower at $9⅞.

Continental itself, however, rose $⅝ to $3¾, also on the Amex.

Baldwin United, which also filed for Chapter 11 protection from creditors, had already had its shares slashed from a high over the last year of $50⅝ to last Friday's $4½. The stock was halted at that level.

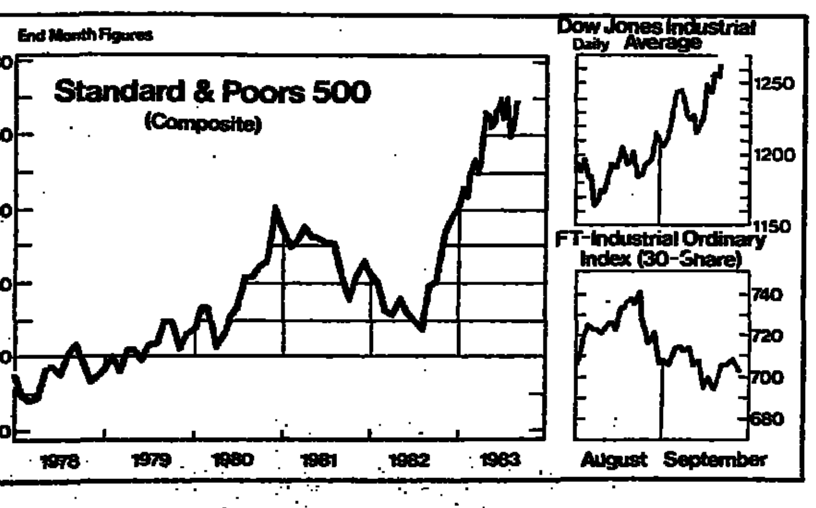
Elsewhere ACF Industries, which spurned the advances of Mr Carl Icahn, slipped $1⅝ to $50, while Alleghany Corporation was suspended at $71¼ pending a possible renewal of a proposed American Express link-up.

Financial Corporation of America picked up $1¾ to $44¾, while Merck gained $3 to $97⅞ in an otherwise dull drug sector. Major utilities drew benefit from a recommendation to buy. Commonwealth Edison firmed $¼ to $26⅞ with a block of 150,000 crossing at $26⅞, and another of 272,300 at $26¾. AT&T moved ex dividend at $65, down $2¼.

Government paper showed the three-month Treasury Bills being discounted some ten basis points lower at 8.72 and the six-month counterparts at 8.80, five basis points off. As recently as last Wednesday the six-month rate was above 9 per cent.

At the long end, the benchmark 12 per cent bond of 2013, which had touched 105 late on Friday and opened again at that level, eased to 104 29/32 to yield 11.41 per cent. In the corporate sector no sizeable new issues appeared, although a good volume of new securities is expected now that the Treasury's needs have been met.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 26	Previous	Year ago
NEW YORK			
DJ Industrials	1260.77	1255.59	919.52
DJ Transport	582.66	584.33	369.60
DJ Utilities	134.78	133.43	117.08
S&P Composite	170.07	169.51	123.32
LONDON			
FT Ind Ord	702.50	706.90	580.50
FT-A All-share	450.84	450.90	361.00
FT-A 500	487.98	488.31	400.75
FT-A Ind	437.40	437.90	373.99
FT Gold mines	634.50	625.20	357.60
FT Govt secs	82.43	82.17	79.12
TOKYO			
Nikkei-Dow	9345.78	9280.30	7066.04
Tokyo SE	690.47	684.65	530.68
AUSTRALIA			
All Ord.	720.30	708.00	521.10
Metals & Mins.	582.60	571.10	419.60
AUSTRIA			
Credit Aktien	54.98	55.02	47.71
BELGIUM			
Belgian SE	133.35	132.24	101.43
CANADA			
Toronto Composite	2598.2	2592.7	1637.0
Montreal Industrials	468.90	466.87	299.92
Combined	441.29	439.19	282.92
DENMARK			
Copenhagen SE	196.54	197.44	88.38
FRANCE			
CAC Gen	139.50	137.60	100.10
Ind. Tendance	149.70	148.40	116.70
WEST GERMANY			
FAZ-Aktien	317.06	314.76	234.66
Commerzbank	940.90	934.80	710.10
HONG KONG			
Hang Seng	810.02	785.48	1096.36
ITALY			
Banca Comm.	196.78	196.93	159.32
NETHERLANDS			
ANP-CBS Gen	144.00	142.70	88.90
ANP-CBS Ind	116.10	114.80	68.90
NORWAY			
Oslo SE	208.36	207.88	103.75
SINGAPORE			
Straits Times	990.56	990.41	665.97
SOUTH AFRICA			
Golds	885.00	872.60	669.40
Industrials	952.90	954.30	675.10
SPAIN			
Madrid SE	closed	115.85	99.78
SWEDEN			
J & P	1478.02	1471.97	676.76
SWITZERLAND			
Swiss Bank Ind	334.80	334.30	250.10
WORLD	Sep 23	Prev	Yr ago
Capital Int'l	182.20	182.00	136.70

GOLD (per ounce)

	Sept 26	Prev
London	$415.625	$413 125
Frankfurt	$415.50	$413.00
Zürich	$415.50	$412.875
Paris (fixing)	$417.60	$414 06
Luxembourg (fixing)	$416.25	$413.80
New York (Sept)	$415.10	$416.50

* indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Sept 26	U.S. DOLLAR Previous	STERLING Sept 26	STERLING Previous
$	–	–	1.5040	1.5020
DM	2.6445	2.6570	3.9800	3.9925
Yen	237.70	239.90	357.75	360.50
FFr	8.0175	8.0400	12.055	12.0725
SwFr	2.1425	2.1500	3.2250	3.2300
Guilder	2.96025	2.9680	4.4500	4.4600
Lira	1,601.00	1,605.50	2,407.00	2,411.50
BFr	53.49	53.77	80.45	80.75
C$	1.23225	1.2319	1.8520	1.8500

INTEREST RATES

	Sept 26	Prev
Euro-currencies (three month offered rate)		
£	9 9/16	9 11/16
SwFr	4 7/16	4½
DM	5¾	5 11/16
FFr	14¼	14¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	9½	9¾
6-month U.S.$	9 11/16	10
U.S. Fed Funds	8⅞	9 1/16
U.S. 3-month CDs	9.05	9.50
U.S. 3-month T-bills	8.74	8.87

U.S BONDS

Treasury	Sept 26 Price	Sept 26 Yield	Prev Price	Prev Yield
10⅞ 1985	100 29/32	10.46	100 29/32	10.47
11½ 1990	100 14/32	11.39	100 24/32	11.34
11⅞ 1993	102 24/32	11.59	102 23/32	11.38
12 2013	104 30/32	11.40	105 3/32	11.39
Corporate	Sept 26 Price	Sept 26 Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	44⅛*	11.65*	94½	11.57
3⅞ July 1990	69*	10.35*	69½	10.25
8¾ May 2000	76¼*	12.10*	76½	12.05
Xerox				
10⅝ March 1993	93½*	11.80*	93⅝	11.85
Diamond Shamrock				
10⅝ May 1993	91⅞*	12.15*	92¼	12.00
Federated Dept Stores				
10⅜ May 2013	12.10*	88.165*	12.05	88.525
Abbot Lab				
11.8 Feb 2013	12.05*	97.954*	12.05	97.954
Alcoa				
12¼ Dec 2012	12.60*	97.259*	12.60	97.26

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	72–24	73–04	72–19	72–19
U.S. Treasury Bills (IMM) $1m points of 100%				
September	90.25	90.30	90.25	90.13
Certificates of Deposit (IMM) $1m points of 100%				
September	90.80	90.82	90.80	90.71
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.35	90.45	90.34	90.23
20-year Notional Gilt £50,000 32nds of 100%				
September	106–00	106–00	105–28	105–16

COMMODITIES

(London)	Sept 26	Prev
Silver (spot fixing)	803.10p	796.25p
Copper (cash)	£1036.50	£1036.50
Coffee (Sept)	£1772.50	£1777.00
Oil (spot Arabian light)	$28.60	$28.62

LONDON

Trade in BP fades after bright start

INTEREST centred almost entirely on the oils sector at the beginning of trading in London yesterday as first-time dealings in BP partly-paid shares got under way.

Once the early excitement had died away, however, business waned noticeably in oils and other sectors. It was left to the gilt-edged market to enliven proceedings as hopes of lower interest rates, brought about by the fall in the latest U.S. M-1 money supply figures continued to push this market higher.

BP's £2 partly-paid shares touched 220p before closing at 206p; the old shares ended a couple of pence dearer on balance at 438p, after 446p.

The FT 30-share Industrial Ordinary index, up 3.5 at 10am, had drifted lower to stand 0.4 easier at 3pm before advice from Wall Street prompted a further decline which left the index 4.4 points down at the day's lowest level of 702.5. *Details, Page 31; Share Information Pages 32–33.*

AUSTRALIA

RESOURCE issues were the major gainers as Sydney stocks recouped their losses of the past week yesterday, spurred on by the larger than expected decline in U.S. money supply.

The All Ordinaries index gained steadily all day to close 12.3 points ahead at 720.3, while the All Resources marker put on 16.4 to 592.2 after strong advances by mining and oil and gas stocks.

SINGAPORE

LIGHT buying combined with a degree of profit-taking to leave prices generally mixed in a nervous and uncertain Singapore market. Major issues were for the most part neglected and, apart from some demand for secondary industrial stocks, the market was stagnant. The Straits Times index was virtually unchanged at 980.56 for a gain of 0.15.

HONG KONG

WILD fluctuations in the exchange value of the local dollar following last week's dive brought life back to a Hong Kong market which has long been depressed by political considerations.

Talk of government moves to strengthen the currency sent share prices and the Hang Seng index shooting up from the opening, only to settle back at a 9 point gain after an hour and at Friday's depressed close by midsession. But another run in the afternoon pushed the index up 24.54 points to a close of 810.02.

SOUTH AFRICA

THE GOLD sector continued firm in Johannesburg yesterday, despite a slight retreat in the bullion price.

Among heavyweights, Kloof gained R2.5 to R54.50 while cheaper priced producer Welkom rose 50 cents to R16.50 and Elsburg closed 15 cents higher at R4.95.

CANADA

A SHARP downturn in energy stocks marked trading in Toronto yesterday. Golds were also lower at midday but other metals and minerals showed gains and the general market index had edged ahead. In Montreal, prices rose marginally in light trading, although paper producers eased.

TOKYO

Technical lift ends easier tone

SHARE prices turned lower in the morning yesterday in Tokyo, despite the good news of a sharp drop in the M-1 measure of U.S. money supply and a rebound in the yen against the dollar. But revived buying interest in blue chips in the afternoon, in advance of securities firms' new accounting year in October, recouped early losses, *writes Shigeo Nishiwaki of Jiji Press.*

Bond prices firmed in response to lower long and short-term interest rates in the U.S.

The Nikkei-Dow market average, which closed the morning session 3.86 points down, finished the day 31.78 points up at 9,345.78.

Declining issues outnumbered gainers, 353 to 313, and volume fell, indicating a lack of sparkle in the market.

With the new business year just ahead, securities companies are planning to make a market for shipbuilding, heavy electrical and synthetic fibre issues which are comparatively low in price and are expected to show better earnings results.

As shares bought are delivered on the fourth business day following the day of contract, the market in effect enters the month of October today.

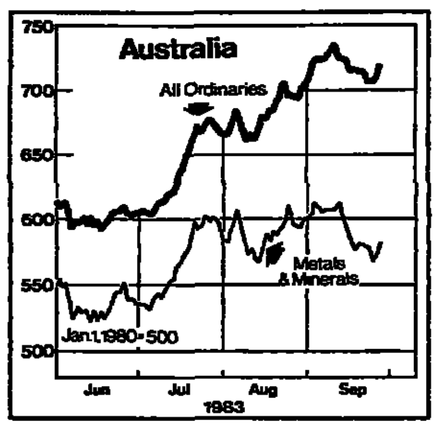
Among shipbuilders, Mitsubishi Heavy Industries gained Y11 to Y266 and Ishikawajima-Harima Heavy Industries Y6 to Y177.

Elsewhere, blue chips gained across a broad front in late active trading, with Matsushita Electric Industrial adding Y30 to Y1,760, NEC Y20 to Y1,460, Fuji Photo Film Y40 to Y2,460, Toyota Motor Y40 to Y1,280 and Honda Motor Y6 to Y910.

But Sony lost Y20 to Y3,740, trimming the early gains posted on good operating results. Arabian Oil, which had once attracted speculative interest, slid Y280 to Y4,920 and Aoki Construction also fell Y19 to Y980.

Bond prices firmed on lower U.S. interest rates in thin trading. With buying interest reviving among institutional investors, leading brokerage houses were scurrying to increase their bond holdings.

As a result, the benchmark long-term 7.5 per cent issue, maturing in January 1993, was marked up to yield 7.74 per cent, down from 7.79 per cent last Saturday. The yield on the long-term 7.7 per cent issue, maturing in November 1989, also fell sharply to 7.43 per cent from Saturday's 7.46 per cent.



EUROPE

M-1 surprise lifts interest rate hopes

THE PROMISE of a fall in U.S. – and consequently world – interest rates held out by Friday's announcement of a surprisingly large drop in U.S. M-1 money supply imparted a new vitality to European bourses yesterday.

In **Frankfurt**, the prospect of an easier dollar combined with recent favourable forecasts for West German corporate profits to fuel a steady rise in active trade which pushed the Commerzbank index, calculated at mid-session, ahead 6.1 to 940.9.

Leading the advance, Siemens added DM 5.30 to close at the day's high of DM 346 after rumours of a scrip issue in place of a dividend increase. In other electricals, AEG gained DM 1.60 to DM 83.90, but Brown Boveri was off DM 3 at DM 223.

Engineerings were particularly firm, with Linde surging DM 7 to DM 391.50 and KHD DM 6.50 up at DM 257.50. MAN climbed DM 3.80 to DM 142.80.

In motors, Daimler put on DM 3.50 to DM 578.50 while VW gained DM 2.30 to DM 219.70 and BMW, DM 2.70 to DM 385.70.

Friday's stronger U.S. credit markets also encouraged German domestic bond markets and prices firmed by as much as 50 basis points.

Neither the sharp decline of the franc against the D-Mark nor yesterday's ⅜ point rise in the French call money rate to 12⅜ per cent could divert buyers in Paris from their expectations of gains on Wall Street.

Prices opened higher and continued upward in fairly active trading, with gains across the board apart from some selective selling of banks, engineerings and oils. Foods were a strong point, with BSW gaining FFr 53 to FFr 2,048 and Moët Hennessy FFr 48 to FFr 1,255.

Despite generally quiet trading, a firmer tone in **Amsterdam** took the General index 1.3 points ahead to a record 144.0. Most issues showed gains, although a few slipped from opening highs.

Philips fell against the trend in internationals, shedding 70 cents to Fl 48.30 on light selling and an absence of U.S. interest. Oce van der Grinten stood out with a Fl 3.20 gain to Fl 213 while Elsevier, despite falling from its opening level, was Fl 8 higher than Friday at Fl 405.

Confirmation of the end of the public sector strike lifted sentiment in **Brussels**. The prospect of improved earnings saw selected stocks firm but the rally was wide based. Holding company Sofina surged BFr 130 to BFr 5,180 while in utilities, Tranctionel added BFr 50 to BFr 3,450.

Steel issues were mixed but oils made no progress.

Disappointing half-year corporate results last week dampened enthusiasm in **Zurich**, and the prospect of a boost for Wall Street stocks failed to encourage buyers. Prices closed mixed.

Trading was subdued in **Milan** as investors waited to hear the government's plans for dealing with Italy's public sector deficit, and prices closed mixed.

Gainers included Montedison, L2.25 ahead at L204.25, and Italcementi, industrial subsidiary of the Pesenti group.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	6¾	AAR	.44	2.8	22	491	15⅞	15½	15½	-⅛
52	29½	ACF	1.40	2.8	64	3576	51½	49½	50	-1½
20	14½	AMF	.50	3.0		518	17	16⅝	16¾	
38¼	13¾	AMR Cp			44	3874	31	29½	29⅝	-1½
18⅜	14⅜	AMR	pf2.18	12		26	u18½	18⅛	18⅛	-⅛
39⅜	24⅝	AMR	pf2.13	6.5		110	33¼	32⅝	32⅝	-1¼
15¼	2½	APL				54	15	14⅝	15	
55	31¼	ARA	2.05	3.9	13	204	52¾	52⅜	52¼	+¼
79⅞	42¾	ASA	3a	4.8		497	63½	62⅝	62⅞	-⅝
33¼	9¼	AVX	s .32	1.1	71	168	29½	28½	29⅛	+⅛
60⅞	34¼	AbtLab	1	2.0	20	730	u51¼	50¼	50⅝	+⅜
30⅝	24	AccoW	n.50	2.0	19	x113	25¼	24⅝	25	+⅛
27½	16⅜	AcmeC	.40	1.7		235	24	23¾	23¾	-⅛
14⅜	7⅛	AcmeE	.32b	2.8	288	44	11½	11⅜	11½	+⅛
21½	6	AdmDg	.04	.2	17	43	u21⅝	21⅛	21⅛	
17⅞	14⅜	AdaEx	1.73e	10		61	17⅜	17⅛	17⅛	-⅛
19¾	6⅞	AdmMl	.24	1.3	9	33	18⅛	18	18	
18⅝	6⅞	Advest	s .12	.8	8	256	15⅜	14⅞	15	-¼
34⅞	8⅝	AMD	s		65	4687	31⅛	29¼	30⅛	-⅝
24⅝	12⅜	Aeflex	s		19	104	19	18¼	19	+¼
44⅝	32⅞	AetnLf	2.64	7.0	7	1385	38¼	37⅝	37¾	-¼
65	52⅝	AetL	pf5.18e	9.		20	56¾	56¾	56¾	+⅛
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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

NEW YORK CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

CANADA

(Closing Prices) Stock	Sep 26	Vam.
AMCA Int.	23⅛	-⅛
Abitibi	24⅝	-
Agnico Eagle	18⅛	-⅜
Alberta Energy	20⅞	-⅛
Alcan Alcmn	46½	-⅜
Algoma Steel	31	-¼
Asbestos	11¾	-⅛
Bk Montreal	29⅝	-⅛
Bk Nova Scotia	44⅞	-⅜
Bell Canada	29⅞	-
Bombardier A	15½	-
Bow Valley	28⅛	-
B P Canada	-	-
Brascan A	35¾	+⅛
Brinco	3.2	-
B C Forest	11½	-
CIL Inc	29	-
Cadillac Fairv	9	-
Can Cement	-	-
Can NW Energy	26½	-
Can Packers	25	+¼
Can Trustco	44	-
Can Imp Bank	33¾	-⅛
Canadian Pacific	51⅜	+1
Can P. Ent	24⅞	-⅜
Can Tyre A	61½	-¼
Carling O'Kfe	23⅝	+⅛
Chieftain	29½	-
Cominco	63⅝	+½
Cons Bathst A	23½	-¾
Coseka Resources	3.75	-
Costain	10	+⅛
Denison Mines	50¼	-⅛
Dofasco	53½	-½
Dome Mines	19	-
Dome Petroleum	5¼	-⅛
Dominion Strs.	21¼	-
Domtar	29⅜	-
Falconbridge	83¾	+⅝
Genstar	31⅛	-
Giant Y'knife	26¼	+¼
Gt West Life	225	-
Gulf Canada	19⅞	-⅛
Hawk Sid Can	17½	+¼
Hudson's Bay	24½	-
Husky Oil	12⅛	+⅜
Imasco	34	-
Imp Oil A	40½	-⅜
Inco	22⅛	+⅛
Indal	11⅜	-⅛
Interpr Pipe	31¼	-¾
LAC Minerals	-	-
Macmil Bloedel	29	+½
Marks & Spencer	13⅜	-
Massey Ferg	6⅞	-
McIntyre Mines	44	+⅛
Mitel	17½	-⅛
Moore Corp	60¼	-½
Nat. Sea Prods A	8½	-
Noranda Mines	28¾	+⅛
Numac Oil	27½	-⅜
Nova Alberta	7½	-
Nthn Telecom	60½	+1⅛
Oakwood Pet	11¾	-⅛
Pancanadian Pet	30⅛	-⅛
Patino	35	-
Placer Devt	27⅛	+⅛
Power Corp Can	19⅜	-⅝
Quebec Sturgeon	10⅜	-
Ranger Oil	14	-
Reed Stenhse A	14	-
Rio Algom	61½	-
Royal Bank	33	+⅜
Royal Trustco A	27	-⅜
Sceptre Res	6⅞	-
Seagram	44½	+⅛
Simpson Sears A	-	-
Shell Can Oil	28⅞	-⅜
Stelco	29½	+⅛
Tech B	14	-
Texaco (Canada)	40¾	-¼
Thomson News A	38	-
Toronto Dom Bank	18¾	+¼
Transalta A	20⅝	-⅛
Trans. Can. Pipe	28½	-⅛
Walker Hiram	25⅞	+⅜
Westcoast Trans	15⅜	+⅛
Weston (Geo)	62⅛	+⅛

AUSTRIA

Sept. 26	Price Sch%	+ or —
Creditanstalt	211	...
Goesser	319	—3
Interunfall	400	...
Landerbank	211	+1
Perimooser	341	—2
Steyr Daimler	162	..
Veitscher Mag.	208	—1

BELGIUM/LUXEMBOURG

Sept. 26	Price Frs.	+ or —
ARBED	1,435	+25
Banq Int A Lux	4,650	..
Bekaert B	2,870	—30
Ciment BR	2,060	+30
Cockerill	162	+1
Delhaize	4,715	+25
EBES	2,330	+20
Electrobel	6,410	+80
Fabrique Nat	2,550	+35
G.B.L. Inno	3,000	+50
FBL (Brux)	2,350	+25
Gevaert	2,500	...
Hoboken	4,765	+15
Intercom	1,670	+10
Kredietbank	6,410	..
Pan Hldgs.	9,150	
Petrofina	5,980	+10
Royale Belge	7,160	+40
Soc. Gen. Banq	2,860	..
Soc. Gen. Belge	1,960	..
Sofina	5,180	+130
Solvay	3,345	+35
Traction Elect	3,450	+50
UCB	3,950	+150
Vielle Mont	3,545	+5

DENMARK

Sept. 26	Price Knr %	+ or —
Aarhus Olie	506	
Andelsbanken	312	
Baltica Skand.	550	+5
CopHandelsbank	282	+2
D. Sukkerfab	787	—3
Danske Bank	308	
East Asiatic	166	+7
Forende Brygg.	1,275	
Forende Damp	205	
GNT Hldg	555	
I.S.S.B.	655	+10
Jyske Bank	650	+5
Novo Ind	3,375	
Privatbanken	305	—3
Provinsbanken	303	
Smidth (Fl)	248	—2
Sophus Berend	1,010	
Superfos	335	

FRANCE

Sept. 26	Price Frs.	+ or —
Emprunt 4½% 1973	1,969	—10
Emprunt 7% 1973	10,010	+20
CNE 3%	3,010	—10
Air Liquide	479	+2
BIC	668	+15
Bouygues	710	+2
BSN Gervais	2,048	+53
CIT-Alcatel	1,339	+27
Carrefour	1,380	+5
Club Mediter'n	670	
CFAO	548	—10
Cie Bancaire	328	+4
Cofimeg	178	
Creusot Loire	67.5	+1.5
Darty	671	+5
Dumez	930	+8
Eaux (Cie Gen)	388	—3
Elf-Aquitaine	188.8	+0.7
Gen. Occidental	670	+25
Imetal	71.6	+0.6
Lafarge Coppee	299.7	+5.2
L'oreal	1,860	+15
Legrand	1,918	+8
Maisons Phenix	388	—7
Matra	1,114	+49
Michelin B	858	+8
Midi (Cie)	1,135	+48
Moet Hennessy	1,255	+48
Moulinex	92	—0.5
Nord Est.	57	—1
Pernod Ricard	807	+27
Perrier	371	+4
Petroles PB	162.8	+0.3
Peugeot SA	223.8	—3
Poclain	84.8	+2.3
Printemps Au	113.5	—0.4
Radiotech	428	+9
Redoute	1,150	+25
Roussel-Uclaf	558	—43
Schneider	132.6	+1.4
Sefimeg	250	—1.5
Skis Rossignol	1,169	+39
Telemech Elect.	1,180	+15
Thompson (CSF)	187	+2
Valeo	285.9	—1.1

GERMANY

Sept. 26	Price Dm.	+ or —
AEG-Telef	83.9	+1.6
Allianz Vers.	651	+8
BASF	150.7	+1.7
Bayer	150.3	+2.2
Bayer-Hypo	281	+2
Bayer-Verein	324.5	+1.5
BHF-Bank	280	+0.5
BMW	385.7	+2.7
Brown Boveri	233	—3
Commerzbank	172.3	+0.9
Conti Gummi	111	+0.8
Daimler Benz	578.5	+3.5
Degussa	356	+1
Demag	150	+4
D'sche Babcock	176.5	+4.5
Deutsche Bank	311	+1.7
Dresdner Bank	174	—0.7
GHH	148	—0.5
Hochtief	450	—10
Hoechst	156.5	+1.8
Hoesch	89	+3.5
Holzmann(P)	416	—5
Horten	157.5	+1
Kali und Salz	212.5	+1.7
Karstadt	258	+1
Kaufhof	244	+1.5
KHD	257.6	+6.5
Kloeckner	58.1	—0.4
Krupp	78	+1
Linde	391.5	+7
Lufthansa	125.5	+2
MAN	142.8	+3.8
Mannesmann	137.5	+3
Mercedes Hld	495	+0.5
Metallgesell	195	+1
Mueuch Rueck	605	—10
Preussag	267	—0.5
Rhein West Elect	169.5	+1.5
Rosenthal	307	..
Schering	343	—1
Siemens	346	+5.3
Thyssen	75.3	+1.7
Varta	168	—0.5
Veba	170.8	+2.3
V.E.W.	116.5	+0.2
Verein-West	311	..
Volkswagen	219.7	+2.3

ITALY

Sept. 26	Price Lire	+ or —
Banca Com'le	29,350	—230
Bastogi-IRBS	214	—230
Centrale	1,809	—9
Credito Varesino	4,310	—90
Fiat	3,079	—1
Finsider	45	..
Generale (Assic)	142,700	+725
Invest	2,864	—5
Italcementi	46,090	+990
Montedison	204.2	+2.2
Olivetti	3,366	—55
Pirelli Co	2,655	—25
Pirelli Spa	1,581	..
Snia Viscosa	1,161	+1
Toro Assic.	11,550	+40
do. Pref.	9,120	+120

NETHERLANDS

Sept 26	Price Fls.	+ or —
ACF Holding	181	
Ahold	183.5	+3
AKZO	81.1	+0.6
ABN	373.5	—1
AMEV	130	—0.2
AMRO	62.8	—0.2
Brederо Cert	180.5	+1.5
Boskalis Westm.	47	+0.7
Buhrmann-Tet	49	+0.7
Caland Hldgs	34.7	+0.3
Credit Lyon'is Bk	44	—1
Elsevier-NDU nv.	405	+8
Ennia	162	—0.5
EuroCom Tst.	102	...
Gist. Brocades	167	+2.5
Heineken	133.5	—0.5
Hoogovens	66	+0.8
Hunter Douglas	18.8	
Int Muller	27.7	+0.7
KLM	145.5	+1.5
Naarden Intl	44.5	
Nat Ned Cert	170.5	+1.5
Ned. Credit Bank	33.1	—1.6
Ned Mid Bank	156.3	+1.8
Nedlloyd	94.3	+0.8
Oce Grinten	213	+3.2
Ommeren (Van)	39	+1.1
Pakhoed	58.9	—0.4
Philips	48.3	—0.7
Rijn Schelde	3.8	—0.2
Robeco	320.5	+0.3
Rodamco	127.6	—0.1
Rolinco	310	+0.3
Rorento	194.5	+0.5
Royal Dutch	138.9	+0.3
Unilever	230.5	+0.7
VMF Stork	74	—2
VNU	116.7	+1.3
West Utr Bank	105.3	+0.3

NORWAY

Sept. 26	Price Kroner	+ or —
Bergens Bank	121	+2
Borregaard	162.5	—2.5
Christiania Bk.	127	+2
Creditbank	140	+3
Elkem	113	...
Norsk Data	265	..
Norsk Hydro	536	+6
Storebrand	180	—2

SPAIN

Sept. 23	Price Peseta	+ or —
Bco Bilbao	242	+1
Bco Central	250	...
Bco Exterior	205	...
Bco Hispano	205	...
Bco Santander	236	...
Bco Vizcaya	300	..
Dragados	127	..
Hidrola	46.7	+0.2
Iberduero	39.8	—6.8
Petroleos	88.2	+1.2
Telefonica	65.5	+0.5

SWEDEN

Sept. 26	Price Kronor	+ or —
AGA	340	+5
Alfa-Laval	282	+2
ASEA (Free)	395	....
Astra (Free)	678	—5
Atlas Copco	111	.....
Boliden	440	+7
Cardo	415	..
Cellulosa (Free)	695	+5
Electrolux B	227	..
Ericsson	465	+3
Esselte (Free)	313	—2
Fagersta	400	....
Mo Och Domsjo	330	+10
Pharmacia(Free)	444	—11
Saab Skania	243	—4
Sandvik B (Free)	320	+20
Skandia	330	+13
Skan Enskilda	310	..
SKF B	158	..
St. Kopparberg	550	+5
Sven Handelsbn	177	+2
Swedish Match	235	+2
Volvo B (Free)	440	—2

SWITZERLAND

Sept. 26	Price Frs.	+ or —
Alusuisse	777	—1
Bank Leu	4,200	—75
Brown Boveri	1,225	—30
Ciba Geigy	1,955	—15
do. (Part Certs)	1,610	+10
Credit Suisse	2,145	—10
Elektrowatt	2,910	+10
Fisher (Geo.)	620	—10
Genevoise	5,400	—100
Hoff-RochePtCts	90,375	+375
Hoff-Roche 1/10	9,025	+25
Jacobs Suchard	5,975	...
Jelmoli	1,715	...
Landis & Gyr	1,370	—40
Nestle	3,985	+10
Oer-Buehrle	1,210	—60
Pirelli	259	.....
Sandoz (Br)	6,575	—50
Sandoz (PtCts)	1,045	+5
Schindler (PtCts)	450	....
Swissair	845	—10
Swiss Bank	305	—1
Swiss Reinsce	6,800	+250
Swiss Volksbk	1,390	.....
Union Bank	3,190	—5
Winterthur	2,760	+10
Zurich Ins.	16,400	+25

AUSTRALIA

Sept. 26	Price Aust. $	+ or —
ANZ Group	5.4	+0.14
Acrow Aust.	1.25	..
A.O.D.	1.05	
Ampol Pet.	1.88	—0.04
Aust Cons Ind.	1.55	...
Aust. Guarant.	2.42	
Aust. Nat. Inds.	2.7	+0.02
Aust. Paper	2.28	+0.05
Bond Hldgs	1.38	..
Boral	3.2	+0.02
B'ville Copper	2.7	+0.07
Brambles Inds.	2.88	+0.03
Bridge Oil	3.3	+0.1
BHP	12.56	+0.5
CRA	5.95	+0.1
CSR	4.17	+0.03
Carlton & Utd.	3.1	—0.1
Castlemaine	4.07	+0.02
Coles (G.J.)	3.33	—0.02
Comalco	3.1	..
Consolidated Pet	0.55	+0.06
Costain	1.50	
Dunlop	1.38	+0.03
E.Z. Ind.	6	+0.1
Elders IXL	4.34	+0.04
Energy Res	1.85	
Gen Prop Trust	1.85	+0.05
Griffin Coal	6.5	
Hardie (J.)	4.05	—0.01
Hartogen Energy	3.05	—0.03
Herald W'y Times	2.8	..
ICI Aust.	1.98	—0.08
Jimb'lana (50cFP)	0.25	
Kia Ora Gold	0.27	+0.02
Lend Lease	4.85	—0.11
MIM	4.28	+0.16
Mayne Nickless	2.92	......
Meekatharra	1.4	
Myer Emp.	1.58	..
Nat.Com.Bk. Ast.	3.53	+0.03
News	9.4	—0.1
Nicholas Kiwi	2.7	+0.05
North Bkn Hill	3.35	+0.07
Oakbridge	1.22	—0.01
Otter Expl	0.95	...
Pancon	1.7	+0.08
Pioneer Conc	1.78	—0.01
Reckitt & Coln	2.5	—0.05
Repco	1.2	+0.02
Santos	8.2	+0.2
Smith (H.)	3.9	......
Southland Min'g.	0.34	+0.01
Spargos Expl	0.63	+0.08
Thos. Natwide	1.92	+0.02
Tooth	4.2	...
UMAL Cons	2.1	+0.05
Vamgas	3.9	
Western Mining	4.8	+0.15
Westpac	3.33	+0.06
Woodside Petrol.	1.52	+0.05
Woolworths	2.44	—0.01
Wormald Intl	3.03	+0.03

HONG KONG

Sept. 26	Price H.K.$	+ or —
Bank East Asia	20.4	—0.6
Carrian Invest.	0.87	..
Cheung Kong	7	+0.4
China Light	11.5	—0.1
Hang Lung Devel.	2.10	
Hang Seng Bank	35	+3.25
HK Electric	5.1	+0.18
HK Kowloon Wh.	3.27	+0.1
HK Land	2.9	+0.08
HK Shanghai Bk.	7.15xd	+0.25
HK Telephone	29	+0.2
Hutchison Wpa	10.5	+0.4
Jardine Math	10.5	+0.2
New World Dev.	2.45	+0.05
Orient O'seas	2.6	—0.05
O'seas Trust Bk.	3	
SKN Props.	4.82	+0.12
Swire Pac A	12.2	+1
Wheel'k Mard A.	2.85	+0.13
Wheel'k M'time	1.90	....
World Int. Holdgs	1.25	...

JAPAN

Sept. 26	Price Yen	+ or —
Ajinomoto	1,020	—30
Alps Electric	2,690	+50
Amada	787	..
Asahi Chem	396	+6
Asahi Glass	630	+10
Bridgeston	480	..
Canon	1,450	+10
Casio Comp.	1,570	—30
Chugai Pharm	1,180	—10
Citizen	637	—10
Daiei	623	—2
Dai Nippon Ptg	820	—6
Daiwa House	504	—5
Ebara	327	+4
Eisai	1,540	—40
Fanuc	7,800	+200
Fuji Bank	500	
Fuji Film	2,460	+40
Fujisawa	923	+9
Fujitsu	1,460	+20
Green Cross	1,770	—10
Hasegawa	468	..
Heiwa Real Est.	567	—1
Hitachi	911	+8
Hitachi Credit	1,190	+10
Honda	910	+6
House Food	940	—1
Hoya	1,330	—20
Itoh (C)	309	+1
Ito-Yokado	1,410	—20
Iwatsu	1,640	—10
JACCS	345	+3
JAL	2,370	—20
Jusco	768	—1
Kajima	325	+2
Kao Soap	600	+3
Kashiyama	632	—8
Kirin	414	+4
Kokuyo	890	—10
Komatsu	499	—3

JAPAN (continued)

Sept. 26	Price Yen	+ or —
Konishiroku	837	+2
Kubota	308	—1
Kumagia	453	..
Kyoto Ceramic	7,650	+20
Maeda Const	514	—6
Makino Milling	1,110	—40
Makita	1,300	+30
Marubeni	286	+2
Marudai	595	—5
Marui	1,030	
MEI	1,760	+30
M'ta Elec Works	557	—5
M'bishi Bank	504	+4
M'bishi Corp	620	—5
M'bishi Elec	440	+14
M'bishi Estate	499	..
MHI	266	+11
Mitsui Co	375	+3
Mitsui Estate	710	+5
Mitsukoshi	382	..
NGK Insulators	688	—7
Nihon Cement	201	—2
Nippon Denso	1,340	—10
Nippon Elect	1,480	+20
Nippon Express	272	+6
Nippon Gakki	639	—1
Nippon Kokan	154	—4
Nippon Oil	1,110	—100
Nippon Seiko	587	—23
Nippon Shimpan	644	+6
Nippon Steel	171	—2
Nippon Suisan	325	—2
NTV	4,600	1,150
Nippon Yusen	270	+7
Nissan Motor	718	+7
Nisshin Flour	403	—12
Nisshin Steel	151	+1
Nomura	740	—3
Olympus	1,270	+40
Omron Tateisi	1,700	—10
Orient Leasing	2,670	—10
Pioneer	3,100	+40
Renown	653	—2
Ricoh	959	—9
Sankyo	775	—17
Sanyo Elect	467	+4
Sapporo	370	+2
Sekisui Prefab	601	+1
Seven Eleven	5,460	+10
Sharp	1,400	+50
Shimadzu	535	+5
Shinogi	612	—3
Shiseido	1,060	10
Sony	3,740	—20
Stanley	834	+8
S'tomo Elect	629	+1
S'tomo Marine	224	—2
S'tomo Metal	165	+1
Taihei Dengyo	334	—2
Taisei Corp	228	+2
Taisho Pharm	915	—35
Takeda	800	
TDK	5,380	+30
Teijin	362	+4
Teikoku Oil	798	—5
Tokio Marine	482	+11
TBS	774	—27
Tokyo Elect Pwr.	1,020	—10
Tokyo Gas	127	+2
Tokyo Sanyo	574	—1
Tokyo Style	600	—10
Tokyu Corp	295	+8
Toppan Print	556	—12
Toray	450	+19
Toshiba	405	+15
TOTO	469	+4
Toyo Seikan	612	—12
Toyota Motor	1,280	+40
Victor	3,090	+20
Wacoal	667	+2
Yamaha	470	—10
Yamanouchi	1,750	—30
Yamazaki	770	+11
Yasuda Fire	228	—4
Yokogawa	450	—10

SINGAPORE

Sept. 26	Price $	+ or —
Boustead Bhd	3.02	+0.02
Cold Storage	5.45	—0.1
DBS	9.7	—0.1
Fraser & Neave	6.4	—0.05
Genting	4.84	..
Haw Par	2.86	...
Inchcape Bhd	3.08	
Malay Banking	9.9	+0.05
Malay Brew	5.9	
OCBC	10.8	—0.1
Sime Darby	2.58	—0.01
OUB	4.46	
Straits St'mship	1.93	
Straights Trdg	5.7	..
UOB	5.45	

SOUTH AFRICA

Sept. 26	Price Rand	+ or —
Abercom	[illegible]	[illegible]
AE & CI	[illegible]	[illegible]
Anglo Am Coal	27	
Anglo Am	25.[illegible]	+[illegible]
Anglo Am Gold	13.[illegible]	+1.[illegible]
Barclays Bank	17.[illegible]	
Barlow Rand	13.[illegible]	
Buffels	65	[illegible].75
CNA Gallo	2.9	+0.2
Currie Finance	4.2	—0.1
De Beers	10.1	..
Driefontein	38	+0.75
FS Geduld	51.5	+0.5
Gold Fields S.A.	136.5	..
Highveld Steel	5.2	
Nedbank	14.5	
OK Bazaars	24.35	
Protea Hldgs	3	+0.07
Rembrant	24.5	—0.5
Rennies	14	+0.2
Rustenburg	12.1	+0.05
Sage Hldgs	6.85	+0.15
SA Brews	7.65	..
Smith (C.G.)	23.25	
Tongaat Huletts	9.2	—0.05
Unisec	5.80	..

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK-DOW JONES

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1268.77	1255.58	1257.52	1243.29	1249.19	1233.94	1257.52 (22/9)	174.39 (11/8)	1257.52 (22/9/83)	41.22 (2/7/32)
Transport	582.66	584.33	589.69	586.09	590.84	582.84	590.84 (21/9)	434.24 (3/1)	590.84 (21/9/83)	12.23 (8/7/32)
Utilities	134.78	133.43	133.43	133.62	133.19	131.45	133.62 (21/9)	119.46 (3/1)	163.32 (20/4/69)	10.05 (28/4/42)
Trading vol 1000's†	8649	9318	9785	9127	10395	8583	-	-	-	-

	Sep 23	Sep 16	Aug 19	(Year Ago Approx)
Ind div yield %	4.43	4.53	4.65	5.92

STANDARD AND POORS

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	191.97	191.23	191.37	189.74	190.72	188.94	193.22 (22/8)	154.95 (3/1)	193.22 (22/8/83)	3.52 (30/6/32)
Composite	170.07	169.51	169.76	168.41	169.25	167.62	170.99 (22/8)	138.34 (3/1)	170.95 (22/6/83)	4.4 (1/6/32)

	Sep 21	Aug 24	Aug 17	Year Ago(Approx)
Ind div yield %	3.80	4.06	3.96	5.18
Ind. P/E Ratio	14.58	14.02	14.39	9.08
Long Gov Bond Yield	11.50	11.48	11.43	11.61

N.Y.S.E ALL COMMON

Sep 26	Sep 23	Sep 22	Sep 21	1983 High	1983 Low
-		-	-	442.62 (6/5)	79.79 (24/1)

RISES AND FALLS

	Sep 26	Sep 23	Sep 22
Issues traded	1857	1975	1955
Rises	929	763	938
Falls	568	812	615
Unchanged	360	400	402

MONTREAL

	Sep 26	Sep 23	Sep 22	Sep 21	1983 High	1983 Low
Industrials	468.5	466.67	466.37	462.49	483.86(5/5)	329.12(4/1)
Combined	441.29	439.19	438.15	435.41	439.19(23/9)	319.4(5/5)
TORONTO Composite	2598.2	2592.7	2587.0	2571.0	2592.7(23/9)	1949.8(4/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Sept. 26	Sept. 23	Sept. 22	Sept. 21	1983 High	1983 Low
AUSTRALIA						
All Ord. (1/1/80)	720.3	708.0	706.5	714.9	736.7 (12/8)	487.8 (4/1)
Metals & Minls. (1/1/80)	562.6	571.1	567.3	579.1	614.2 (5/9)	411.8 (4/1)
AUSTRIA						
Credit Aktien(2/1/62)	54.86	55.02	54.94	54.92	59.8 (5/9)	48.49 (15/2)
BELGIUM						
Belgian SE (31/12/63)	133.36	132.24	131.51	129.11	134.45 (1/8)	100.58 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	196.54	197.44	198.59	193.27	204.22 (15/8)	100.00 (3/1)
FRANCE						
CAC General (31/12/82)	159.5	157.9	156.1	156.5	139.5 (28/9)	98.1 (5/1)
Ind Tendance (31/12/82)	149.7	148.4	146.4	146.8	149.7 (26/9)	98.0 (3/1)
GERMANY						
FAZ-Aktien (31/12/58)	317.06	314.75	313.33	314.73	331.85 (7/7)	241.69 (26/1)
Commerzbank(Dec1953)	940.5	954.8	930.2	934.6	968.5 (7/7)	727.9 (25/1)
HONG KONG						
Hang Seng Bank (31/7/64)	910.02	795.48	(c)	849.08	1102.64 (21/7)	761.61 (4/1)
ITALY						
Banca Comm Ital. (1972)	196.76	196.95	195.67	194.15	214.95 (21/3)	168.45 (10/1)
JAPAN**						
Dow Average (16/5/49)	9345.76	(c)	9280.50	9272.56	9355.66 (7/9)	7803.18 (25/1)
Tokyo New SE (4/1/68)	690.47	(c)	684.65	683.92	690.47 (26/9)	574.51 (25/1)
NETHERLANDS						
ANP-CBS General (1970)	144.0	142.7	141.3	141.0	144.0 (26/9)	108.1 (4/1)
ANP-CBS Indust (1970)	116.1	114.8	115.5	112.5	118.8 (22/8)	85.5 (4/1)
NORWAY						
Oslo SE (4/1/83)	206.38	207.88	209.57	211.29	214.45 (19/9)	99.81 (4/1)
SINGAPORE						
Straights Times (1966)	990.56	990.41	987.59	980.53	992.82 (25/8)	712.99 (5/1)
SOUTH AFRICA						
Gold (1958)	(u)	872.6	867.9	905.7	1093.5 (1/2)	894.3 (28/3)
Industrial (1958)	(u)	934.3	953.5	952.5	988.7 (26/5)	740.8 (3/1)
SPAIN						
Madrid SE (31/12/82)	(c)	115.86	115.47	114.77	129.62 (13/7)	99.82 (11/1)
SWEDEN						
Jacobson & P. (1/1/58)	1478.02	1471.97	1479.32	1488.87	1525.60 (6/9)	835.16 (5/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	354.9	354.3	356.2	337.0	347.5 (4/8)	294.4 (4/1)
WORLD						
Capital Intl. (1/1/70)	-	182.0	182.0	181.1	187.7 (22/6)	154.4 (3/1)

(**) Saturday Sept 17: Japan Dow 9182.00, TSE 687.66.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. †Excluding bonds. ‡ 400 Industrial. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable

LONDON STOCK EXCHANGE

MARKET REPORT

Busy first-time trading in BP new shares soon fades

Equity index down 4.4-Gilts up again

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 19	Sept 29	Sept 30	Oct 10
Oct 3	Oct 13	Oct 14	Oct 24
Oct 17	Oct 27	Oct 28	Nov 7

* "New-time" dealings may take place from 9.30 am two business days earlier

For a thirty minute period after the start of business yesterday, interest in London Stock markets centred almost entirely on the Oil pitches as first-time dealings in BP partly-paid shares got under way. Once the early excitement had died away, however, business waned noticeably in Oils and other equity sectors. It was left to the Gilt-edged market to enliven proceedings as hopes of lower interest rates continued to push the sector higher.

Following the announcement of the striking price of the 130m BP shares—higher than recent estimates at 435p—and the allocation details, dealings in the £2-paid shares began at a 12p premium at 212p. The price touched 220p before closing at 206p; the old shares ended a couple of pence dearer on balance at 438p, after 446p; dealers described the day as rather disappointing although overall turnover in the new shares was rumoured to have been in the region of 10m. It was suggested that business volume might well increase when all successful applicants had been informed.

The $3.1bn fall in the latest U.S. money supply figures further encouraged hopes of an early cut in interest rates and led to renewed firmness in gilts. Gains in the medium and longer-dated issues stretched to just over a point at one stage as buyers anticipated cheaper money. Once again, however, the Bank of England signalled its reluctance to lower intervention rates which prompted some profit-taking. Closing gains extended to only ½, while short-dated securities closed mixed.

The FT Government Securities index moved up 0.26 to 82.43—its highest since June 20. The 3.30 pm announcement of a new £1bn tap, Treasury 9¾ per cent Convertible 1988, at a minimum tender price of £96½, came as no real surprise following last week's exhaustion of the Government's only existing tap, Treasury 10 per cent 1987 at £20½; the latter yesterday touched a 1983 high of £21$\frac{3}{16}$ before closing a net $\frac{3}{16}$ up at £20$\frac{15}{16}$.

Features in the equity market were fewer than of late and usually embraced those companies announcing trading statements or tipped in the weekend Press.

Up 3.5 at 10.00 am, the FT industrial ordinary share index had drifted lower to stand a net 0.4 easier at 3.00 pm before lower advices from Wall Street prompted a further decline which left the index 4.4 points down at the day's lowest level of 702.5.

Scattered Banking features included Bank of Scotland, up 8 more at a high for the year of 528p, still in response to the interim statement. Hongkong and Shanghai rallied 3 to 58p. Awaiting today's preliminary results, Baltic Leasing improved to 260p before closing a net 3 dearer at 255p.

Generally easier Insurances were led lower by Eagle Star which, at 465p, gave up 15 of Friday's rise of 25. Willis Faber, 567p, and Sedgwick, 208p, were two Brokers to resist the trend, gaining 7 and 4 respectively.

Metal components marketing concern PCT Group staged a successful debut in the Unlisted Securities Market; the shares opened at 156p and moved up to 161p compared with the placing price of 150p.

Talk of imminent beer price increases resulted in a firmer tone among Breweries with Bass the main beneficiary at 325p, up 7.

An initial mark-up in the Building leaders failed to hold and quotations drifted back in the absence of support to close virtually unchanged. IDC gained 4 to 117p awaiting today's half-timer, but Galliford shed 2 to 56p following the annual profits setback. Among Timber issues, Travis and Arnold touched 333p before closing a net 7 up at 327p on the 59 per cent interim profits expansion and the Board's encouraging statement. Magnet and Southerns firmed 4 to 154p in sympathy. Elsewhere, steel stockholders Helical Bar jumped to 90p before settling a net 10 up at 85p following the agreed bid worth 65p per share from Exent Corporation, a private company.

Buyers again showed scant interest in ICI which closed without alteration at 528p after 532p. Amersham International again lacked support and shed 2 to a 1983 low of 230p.

Amber Day active

Leading Retailers marked time for most of the session, with an attempted mid-afternoon rally proving fruitless. Prices still managed to make modest progress, however, with Burton 5 up at 342p, and W. H. Smith 8 better at 130p. GUS "A" closed 6 up at 533p, after 535p, but House of Fraser shed 4 to 244p, the latter awaiting Thursday's mid-term statement. Superdrug, due to reveal interim figures on Thursday, advanced 13 to 263p, although Harris Queensway, due to report on the same day, eased a couple of pence to 296p. Jewellers continued to respond to recovery prospects while, among mail-orders, Grattan attracted call option business and closed 6 to the good at 44p. Electrical retailers moved ahead under the lead of Currys, 15 up at 332p. Dixons, which announced the purchase of the Orbit hi-fi chain from UDS for around £8m cash, added 5 to 203p. Amber Day, on the other hand, shed 2 to 9p in relatively active trading following adverse comment. Castle (GB), dealt in the Unlisted Securities Market, spurted 16 to 81p following persistent speculative interest.

GEC led the Electrical leaders lower after-hours to close 6 down and very near the lowest of the year so far. Racal surrendered an early gain to settle 2 off at 205p, also within a whisper of the year's low. BSR encountered another Hong Kong squall and lost 11 to 147p, but Miles 33 rose 8 to 230p awaiting today's interim results. Muirhead continued the recent good run to end 8 higher at 142p, while Cambridge closed the same amount dearer at 260p. In thin markets, AB Electronic were raised 25 to 805p and NEC 17 to 407p.

Leading Engineerings eased and TI, at 134p, closed only a couple of pence off the year's low, while GKN shed 3 to 168p. Trading statements brought some cheer among secondary issues with Planet rising 3 to 55p and Metalrax 2 to 52p after interim statements. Awaiting Thursday's half-timer, APV improved 5 to 305p, while NEI held at 95½p ahead of today's announcement. The Monopolies Commission clearance of the proposed merger with Simon left Drake and Scull 3½ better at 113p. Elsewhere, Porter Chadburn revived with a jump of 11 to 88p on renewed speculation of a bid from G. M. Firth. In a thin market, Vosper rose 13 to 227p.

Left behind in the recent fad for Food Retailers, Argyll found support and firmed 4 to 122p; Amalgamated Distilled Products, in the process of merging with Argyll, gained the same amount to 157p. Kwik Save touched a 1983 peak of 338p before closing 3 dearer on balance at 335p. Tesco, which recently led the sector higher, encountered profit-taking and shed 5 to 171p.

Industrials mixed

Miscellaneous Industrial leaders moved irregularly with BTR gaining 7 to 552p, but Bowater, 200p, and Beecham, 320p, losing 5 apiece. The trend among less popular issues was also mixed. Parker-Knoll responded to increased annual profits with a gain of 5 to 214p and, awaiting Thursday's first-half results, Grampian picked up 4 at 82p. Hartons, up 3½ at a peak for the year of 22½p, continued to respond to recent trading news. Kleen-E-Ze rose 5 to a 1983 peak of 72p, but Inter-City, 80p, United Guarantee, 41p, and London and Liverpool, 59p, all closed 4 cheaper. Reports that Suter had increased its recently-acquired stake helped Francis Industries to harden 2 to 54p.

Hong Kong stocks rallied in line with Far Eastern advices with Swire A prominent at 99p, up 9. China Light, 96p, and Hutchison Whampoa, 86p, both regained 5.

Among Television issues, buying ahead of tomorrow's preliminary results left HTV 3 dearer at a 1983 peak of 70p. Trident TV, largely reflecting the efforts of a single buyer, put on 3½ to 98p.

Favourable weekend comment prompted a couple of useful gains among Motor Distributors. British Car Auction rose 4 to 195p, while T. Cowie advanced to 41p before settling for a net gain of 6 at 40p.

Link House Publications touched a new 1983 peak of 483p before settling for a net gain of only a penny at 476p following the increased annual profits and dividend. Elsewhere, attention was again centred on advertising agencies; Saatchi and Saatchi, a buoyant market of late, reacted 15 to 525p, after 520p, on confirmation of the previously-rumoured U.S. listing. Geers Gross advanced 12 to 168p, after 170p, while Boase Massimi Pollitt gained 7 more to 385p, the latter still benefiting from first-half figures. Renewed speculative demand lifted David S. Smith 5 to 75p, while Watmoughs, interim results expected today, hardened 10 to 235p.

Bought initially on interest rate hopes, leading Properties drifted back in the absence of follow-through support to close virtually unchanged. Among secondary issues, Marler Estates, still reflecting the acquisition of SB Properties, gained 4 more to 95p.

A generally uneventful session among Shippings was enlivened by Lofs which rose 4½ to 33½p following a favourable mention.

In South African industrials, dealings in Checkers were suspended at 250p following similar action in Johannesburg.

Proceedings in Financials were dominated by Abingworth which were briskly-traded and fell 18 to 290p; the company holds a sizeable stake in U.S. computer group Apple which has warned of substantially reduced final quarter earnings.

BP new below best

The striking price of 435p for the BP new shares was above recent expectations, but dealers expressed disappointment with the trading volume; the shares, after opening at 212p and quickly rising to 220p, settled at 214p before early Wall Street advices brought about a close of 206p. The old BP shares touched 446p before finishing just 2 dearer on balance at 438p. Other Oil majors also failed to hold best levels; Shell finished only a couple of pence firmer on the day at 624p, after 630p, while Ultramar, after touching 695p, closed 5 cheaper on balance at 685p. Irish exploration issues encountered profit-taking in the absence of drilling news, Atlantic losing 30 to 420p and Eglinton 35 to 220p. Moray Firth shed 6 to 52p and Aran Energy 2 to 46p. Elsewhere, Invent Energy put on 13 more to 271p on speculation about a French oil find. Branon slumped 28 to 30p following the revised bid from Taddale Investments.

Gold Fields weak

A generally strong mining market was overshadowed in late dealings by marked weakness in the UK registered Consolidated Gold Fields, which dropped 18 to 577p after having touched 600p during morning dealings, following the breakdown of talks with America's Ingersoll-Rand regarding the sale of Skytop Brewster.

Other UK Financials held relatively firm with gains of around 2 common to Charter, 252p, and Hampton Areas, 238p. RTZ closed unaltered at 637p.

South African golds and related issues, however, staged a further strong advance, boosted by renewed strength in the bullion price, which moved up $2.5 more to $415.625 an ounce.

Golds were marked up at the outset and attracted persistent support throughout the day before closing a fraction off the day's best levels. The Gold Mines index rose 9.3 for a two-day gain of 19.7 to 634.5.

Heavyweights were highlighted by Randfontein and Kloof, which added £1¼ apiece at £94½ and £32½ respectively, while rises of around a point were common to St Helena, £26½, and Western Holdings £35½.

South African Financials provided a feature in Gold Fields of South Africa which rose £1¼ to £82½ on further consideration of the proposed share split.

Improved performances by precious and base-metal markets coupled with a strong overnight performance in Sydney and Melbourne markets led to widespread gains in Australians.

Golds, both established and speculative, made rapid progress with Gold Mines of Kalgoorlie 20 firmer at 740p, Emperor and Kitchener up 10 apiece at 204p and 126p respectively and Allstate Exploration 6 higher at 52p. Great Victoria Gold put on 3 to 15p, while favourable Press comment lifted Spargos 4 to 38p.

Business in Traded Options got off to a slow start, with only the expected early trade in British Petroleum giving a boost to proceedings. Activity improved during the afternoon, however, and total contracts struck amounted to 2,580 comprising 1,903 calls and 677 puts. BP attracted 697 calls, most of which were done in the October series, and 387 puts, while Courtaulds calls were also wanted with 398 trades done, 155 in the October 76's and 171 in the January 86's. Premium changes of note were scarce, although Consolidated Gold Fields puts showed useful gains following the cessation of talks with Ingersoll-Rand regarding the disposal of loss-making Skytop Brewster; Gold Fields October 600 puts rose 12 to 35p, while the 650's closed 15 better at 80p.

FINANCIAL TIMES STOCK INDICES

	Sept. 26	Sept. 23	Sept. 22	Sept. 21	Sept. 20	Sept 19	year ago
Government Secs.	82.43	82.17	81.81	81.83	81.86	81.71	79.12
Fixed Interest	84.30	84.09	83.94	83.91	83.86	83.66	79.67
Industrial Ord.	702.5	706.9	708.1	706.0	705.2	705.3	580.5
Gold Mines	634.5	625.2	614.8	651.6	653.1	647.6	357.8
Ord. Div. Yield	4.78	4.76	4.83	4.86	4.85	4.85	4.96
Earnings, Yld.% (full)	9.60	9.46	9.53	9.59	9.57	9.57	10.97
P/E Ratio (net) (*)	13.18	13.24	13.12	13.04	13.06	13.07	10.95
Total bargains.	20,785	19,773	18,909	19,436	20,684	20,586	18,545
Equity turnover £m.	—	194.976	192.25	194.34	166.57	170.23	140.07
Equity bargains	—	15,409	15,617	16,119	16,438	19,229	14,534
Shares traded (ml)	—	122.5	117.8	117.2	111.8	114.3	99.3

10 am 710.4 11 am 710.4. Noon 708.2 1 pm 707.8. 2 pm 707.4. 3 pm 706.5.

Basic Govt. Secs. 15/1/26. Fixed Int. 1928. Industrial 1/7/35. Gold mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil = 12.39

HIGHS AND LOWS — S.E. ACTIVITY

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low		Sept. 23	Sept. 22
Govt. Secs.	83.60 (15/6)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)	—Daily Gilt Edged Bargains	165.0	142.3
Fixed Int.	84.74 (16/6)	79.03 (1/3)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	99.8	101.2
					Value	394.1	388.6
Ind. Ord.	740.4 (22/8)	598.4 (12/1)	740.4 (22/8/83)	49.4 (26/6/40)	5-day Avrge Gilt-Edged Bargains	164.8	159.6
Gold Mines	734.7 (15/2)	531.6 (29/8)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	107.3	112.0
					Value	371.2	383.6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	5	11
Corpns., Dom. and Foreign Bonds	21	—	57
Industrials	264	193	923
Financial & Props.	142	52	326
Oils	36	28	49
Plantations	4	2	15
Mines	78	7	81
Others	56	58	76
Totals	686	343	1,538

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (92)

BRITISH FUNDS (9)
Exch. 11¾pc 1986 — Treas. 15¼pc 1996
Treas. 8½pc 1984-86 — Redemption 3pc 86-96
Treas. 10pc 1987 (£20pd) — Exch. 12pc 2013-17
Conv. 3½pc '61 Aft.
Treas. 10½pc 1989 — Treas. 2½pc Cnv. '99

INT. BANK AND O'SEAS. GOVT. STLG. ISSUES (4)
Int-Am. Dev. Bk. 12½pc 2003 — N Zealand 11¾pc '08
Mexico 16½pc 2008 — Sweden 13½pcLn. '10

LOANS (1)
Inv. in Ind. 6¼pcDb 1981-84

AMERICANS (3)
Ford Motor — GATX
GATX

CANADIANS (4)
Canadian Pacific — Tenneco 10pcLn. Stk. 1991-95
Seagram
Rio Algom

BANKS (4)
Bank of Nova Scotia — Nat. Comm. Bk. Austr
Bank of Scotland — Southern Bus. Leasg.
Gerrard & National

BREWERS (1)
Irish Distillers

BUILDINGS (1)
Helical Bar

CHEMICALS (1)
Akzo NV

ELECTRICALS (5)
Fujitsu — Pressac
Miles 33 — Toshiba Corpn.
Newman Inds. 10pc Cv.Pt. Prf.

ENGINEERING (1)
Evered

FOODS (3)
Kwik Save — Tesco 9pcCvLn. 02-07
Sainsbury (J.)

INDUSTRIALS (11)
Dalgety — Hawkins & Tipson
Dwek Group — Kleen-E-Ze
Eastern Produce — Sonesson (Wm.) AB
Grampian Hldgs. — Spring Ram
Hartons Group — The Times Veneer
Hanover Inds.

INSURANCE (1)
Britannic

LEISURE (1)
HTV Non-Vtg.

MOTORS (1)
Honda Motor

NEWSPAPERS (5)
Int. Thomson — Portsmouth & S'land.
Link House — Sharpe (W. N.)
News Intl. Spec. Div.

PAPER (3)
Boase Massimi Pollitt — Watmoughs
Bunzl

PROPERTY (2)
Gable House Props. — Utd. Real Prop.

SHIPPING (1)
Lon. & O'seas Freighters

TRUSTS (20)
Br. Empire Secs. — Do. "B"
Camellia Invs. — New Tokyo Inv.
Danae Cap. — Robeco (Br.)
Drayton Cons. — Do. Sub. Shares
GT Japan — Scot. Cities "A"
Gen. Cons. Japan — Scot. National
Gen. Scottish — TR Nat. Resources
Moorside Trust — Park Place Invs.
Murray Caledonian — Yule Catto
Do. "B"
Murray Northern

OILS (3)
Sun Oil (UK) Royalty — Weeks Austr.
Tiber Energy

OVERSEAS TRADERS (1)
Harrisons & Crosfield

PLANTATIONS (1)
Cons. Plants.

MINES (5)
Allstate Expln. — York Res.
Keywest Expln. — Colby Res. Corp.
Mincorp

NEW LOWS (13)

BRITISH FUNDS (1)
Exch. 13½pc 1983

BUILDINGS (1)
Galliford

CHEMICALS (1)
Amersham Intl.

STORES (1)
Bakers Household Sts.

ELECTRICALS (1)
Humberside Elect.

FOODS (2)
Clifford Dairies — Meat Trade Sup.

INDUSTRIALS (3)
Lon. & Liverpool Tst. — Wills (George)
Ryan Intl.

TRUSTS (1)
Abingworth

OILS (2)
Branon — Palliser Intl.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sept 26 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Sept 23 Index No.	Thur Sept 22 Index No.	Wed Sept 21 Index No.	Tues Sept 20 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	452.25	−0.5	9.12	3.90	14.19	454.48	454.63	450.01	452.51	431.31
2	Building Materials (23)	430.32	+0.2	10.82	4.69	11.63	429.33	429.46	428.39	424.21	349.53
3	Contracting, Construction (30)	707.50	+0.4	12.96	5.06	9.66	704.51	711.56	717.23	715.82	647.14
4	Electricals (36)	1642.24	−1.5	8.04	2.31	16.18	1666.69	1671.76	1635.31	1663.89	1831.43
5	Engineering, Contractors (10)	457.37	—	14.61	6.08	8.53	457.33	455.76	458.71	457.61	453.22
6	Mechanical Engineering (64)	198.16	+0.1	11.91	5.63	10.55	198.01	197.03	196.64	196.43	196.53
8	Metals and Metal Forming (10)	167.63	−0.6	11.29	7.00	10.71	168.73	169.59	168.73	169.05	138.16
9	Motors (18)	112.80	+0.1	—	4.57	—	112.73	112.73	114.86	114.18	75.97
10	Other Industrial Materials (16)	544.74	+0.8	5.57	4.30	23.84	540.61	534.47	529.68	528.87	350.57
21	CONSUMER GROUP (199)	436.00	+0.1	10.48	4.45	11.77	435.77	432.52	429.41	428.26	365.34
22	Brewers and Distillers (23)	442.29	+0.4	12.67	5.14	9.86	440.49	439.71	438.21	437.10	396.41
25	Food Manufacturing (22)	341.01	−0.1	13.45	5.88	8.68	341.26	338.42	337.74	334.47	303.42
26	Food Retailing (13)	1000.82	—	6.91	2.55	18.58	1001.24	990.36	986.94	981.87	750.81
27	Health and Household Products (8)	754.48	−0.7	5.92	2.73	20.03	759.64	757.67	757.45	767.89	567.49
29	Leisure (22)	568.65	+0.5	8.93	4.79	14.48	565.70	562.83	559.39	561.04	434.41
32	Newspapers, Publishing (15)	962.34	−0.8	8.18	4.90	14.92	969.83	969.04	969.07	968.89	538.50
33	Packaging and Paper (14)	187.56	−0.8	10.94	5.29	11.26	189.06	190.59	191.99	189.39	141.26
34	Stores (47)	398.22	+0.4	8.01	3.76	16.91	396.68	391.32	386.61	384.31	352.65
35	Textiles (22)	211.58	+0.1	11.80	5.46	10.11	211.32	208.80	208.70	208.11	169.31
36	Tobaccos (3)	429.41	+0.2	23.21	7.41	4.82	428.42	422.47	404.83	398.89	408.20
39	Other Consumer (10)	428.89	+0.4	5.68	4.79	—	427.28	425.98	424.42	424.39	290.94
41	OTHER GROUPS (79)	382.15	+0.1	8.33	4.49	15.15	381.78	383.45	381.92	382.36	267.25
42	Chemicals (15)	524.63	—	8.62	4.83	15.19	524.51	527.68	525.94	527.45	345.11
44	Office Equipment (6)	109.93	−1.6	8.73	4.67	14.63	111.74	113.27	111.08	112.86	97.85
45	Shipping and Transport (13)	756.39	+0.3	6.95	5.38	20.17	754.39	751.74	754.02	749.77	534.71
46	Miscellaneous (43)	513.64	+0.4	8.36	3.97	14.33	511.78	513.92	511.58	511.36	369.95
49	INDUSTRIAL GROUP (485)	437.40	−0.1	9.66	4.28	12.94	437.98	436.58	433.22	433.49	373.99
51	Oils (15)	1039.27	+0.1	10.83	5.74	11.21	1037.77	1032.48	1018.64	1020.74	699.39
59	500 SHARE INDEX	487.98	−0.1	9.87	4.55	12.58	488.31	486.65	482.41	482.83	400.75
61	FINANCIAL GROUP (123)	331.79	+0.1	—	5.77	—	331.38	328.51	329.38	328.62	253.04
62	Banks (6)	360.18	+0.3	23.84	7.08	4.58	359.02	354.66	356.18	356.78	258.39
63	Discount Houses (8)	314.54	+0.4	—	8.61	—	313.28	312.44	312.16	312.16	280.56
65	Insurance (Life) (9)	453.87	+0.2	—	4.98	—	453.15	453.29	454.41	453.14	311.41
66	Insurance (Composite) (10)	222.74	−0.8	—	6.89	—	224.44	220.64	221.70	219.73	163.29
67	Insurance Brokers (7)	555.37	+1.1	12.22	5.23	11.21	549.40	548.91	536.14	533.68	526.64
68	Merchant Banks (13)	194.95	−0.2	—	4.78	—	195.38	194.95	196.12	197.81	142.86
69	Property (53)	466.82	+0.6	6.07	4.02	22.11	464.02	460.38	462.41	461.33	414.72
70	Other Financial (17)	236.67	+0.1	11.84	5.62	10.15	236.32	235.13	235.29	234.72	162.19
71	Investment Trusts (108)	448.44	+0.4	—	3.91	—	446.61	442.86	442.82	441.94	319.42
81	Mining Finance (4)	310.15	−0.9	7.87	4.71	15.78	313.04	314.42	318.25	315.56	212.49
91	Overseas Traders (15)	505.19	+1.5	7.13	7.40	21.51	497.94	493.76	493.01	490.20	362.04
99	ALL-SHARE INDEX (750)	450.84	—	—	4.74	—	450.98	448.91	446.31	446.26	361.00

FIXED INTEREST

	PRICE INDICES	Mon Sept 26	Day's change %	Fri Sept 23	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	117.95	+0.10	117.88	0.07	7.99
2	5-15 years	131.38	+0.46	130.70	0.12	10.36
3	Over 15 years	141.74	+0.23	141.42	—	10.29
4	Irredeemables	154.23	+0.51	153.45	—	8.90
5	All Stocks	130.05	+0.29	129.75	0.07	9.56
6	Debentures and Loans	104.63	+0.43	104.18	—	8.36
7	Preference	77.27	+0.22	77.10	—	5.71

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sept 26	Fri Sept 23	Year ago (approx)
	British Government				
1	Low Coupons	5 years	9.80	9.84	8.93
2		15 years	9.93	9.99	10.38
3		25 years	9.65	9.66	10.60
4	Medium Coupons	5 years	11.06	11.14	11.31
5		15 years	10.71	10.75	11.42
6		25 years	10.16	10.17	10.93
7	High Coupons	5 years	11.15	11.25	11.42
8		15 years	10.93	10.98	11.64
9		25 years	10.25	10.27	11.11
10	Irredeemables †		9.63	9.68	10.70
11	Debs & Loans	5 years	12.00	12.09	12.58
12		15 years	11.91	11.98	12.58
13		25 years	11.85	11.89	12.58
14	Preference †		12.64	12.67	13.30

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$375	—	—	2	55	—	—	$416.50
GOLD C	$425	2	10 A	1	22	—	—	"
GOLD C	$450	43	4	276	12	13	21	"
GOLD C	$475	10	1.50	—	—	—	—	"
GOLD C	$500	2	1 A	—	—	—	—	"
GOLD P	$400	—	—	—	—	2	8 B	"
GOLD P	$450	29	34	1	35	—	—	"
		Dec.		March		June		
SILV C	$11	2	1.55 A	—	—	40	2.10	$12.09
SILV C	$12	29	0.80	—	—	5	1.70	"
SILV C	$13	6	0.40	3	0.60	11	1.30	"
		Oct.		Jan.		Apr.		
AH C	F.170	68	13.20 B	1	18.50	—	—	F.183.50
AH C	F.180	17	6 A	64	12.80	4	17	"
AKZO C	F.60	3	21.50 A	136	22.80	—	—	F.81.10
AKZO C	F.65	156	16	38	18.50	6	20 A	"
AKZO C	F.70	134	11	92	14	2	15.20	"
AKZO C	F.80	215	3.30 A	249	7.50	31	10	"
AKZO P	F.70	—	—	33	1	—	—	"
AKZO P	F.80	35	1.50	83	3.60	52	5	"
AMRO C	F.60	49	4.30	—	—	—	—	F.62.80
AMRO C	F.65	169	1.30	14	3.70	44	5.20	"
AMRO C	F.70	6	0.20	30	2	27	3 A	"
HEIN C	F.120	30	14	17	17.50	6	18.30	F.133.50
HEIN C	F.130	79	6.50	45	12.50	12	15.50	"
HEIN C	F.140	173	2.50	61	8	66	11 A	"
HEIN P	F.120	21	0.40	39	2	13	3 B	"
HEIN P	F.130	98	2	35	4.60	—	—	"
HOOG C	F.35	57	2.30	62	4.50	43	6	F.36
HOOG P	F.40	22	0.50	45	2.50	19	4 A	"
HOOG P	F.35	32	0.50	11	2	—	—	"
KLM C	F.140	64	8	29	17.50	—	—	F.145.50
KLM C	F.150	237	4 A	95	12.80	—	—	"
KLM C	F.160	94	1.60 A	32	8.50 A	15	12.50	"
KLM P	F.170	49	0.70	71	4.60	—	—	"
KLM P	F.180	—	—	29	3.50	—	—	"
KLM P	F.140	80	1	58	5 B	27	7.50	"
KLM P	F.150	205	7 B	37	11	—	—	"
NEDL C	F.80	25	15.50	—	—	—	—	F.94.30
NEDL C	F.90	46	6.80	—	—	—	—	"
NEDL C	F.100	31	1.30	18	3.30	2	6.50	"
NEDL P	F.90	39	0.90	62	3.30	6	5	"
NATN C	F.150	41	22	29	23	3	26 A	F.170.50
NATN C	F.160	153	11	70	15	35	19 A	"
NATN C	F.170	49	4.40	44	9	39	11.50	"
PHIL C	F.45	25	4	67	6	70	8.20	F.46.30
PHIL C	F.50	456	1.10	524	3.80	44	5.20	"
PHIL C	F.55	112	0.40	202	1.70	45	3.20	"
PHIL P	F.45	117	0.50	110	2.80	14	2.50 B	"
PHIL P	F.50	88	2	108	4.50	—	—	"
RD C	F.130	210	11 A	55	15.50	6	18.20	F.138.90
RD C	F.140	596	3.80	353	8.90	8	12.50	"
RD C	F.150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
RD P	F.140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
RD P	F.150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
UNIL C	F.220	82	12 A	15	18	[illegible]	[illegible]	[illegible]
EOE C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EOE C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EOE C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EOE P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 13,220

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
10	F.P.	—	24	20½	‡A. & M. Hire 10p	23	...	b0.1	11.1	0.6	14.5
¶¶	F.P.	—	160	118	Assoc. Telecom	120	...	b3.0	3.1	2.4	19.2
¶435	P.P.	—	240	206	Brit. Petroleum	206	...	20.25	1.9	6.6	12.3
‖‖	F.P.	—	170	170	‡Cent'l IndTVN/V58p	168	..	—	—	—	34.4
‡100	F.P.	26/8	250	200	‡DPCE Hldgs 5p	225	−3	b2.0	5.6	1.3	29.5
140	F.P.	—	170	157	‡Flextech 10p	167	−5	—	—	—	25.1
60	F.P.	—	72	68	‡Freshbake Foods 5p	69	...	bg1.7	8.7	3.5	12.1
§17½	F.P.	12/8	24	20	‡Gilbert Hse Invs. 10p	22	...	—	—	—	—
200	F.P.	—	218	203	Goring Kerr 10p	215	...	b5.0	2.1	3.3	20.5
¶125	F.P.	25/9	186	154	Int. Signal & Control A	178	−8	u02c	4.0	0.8	35.0
¶¶	F.P.	—	72	56	Ivory & Sime 0.1p	59	...	u0.25	11.8	0.6	20.0
§65	F.P.	—	71	70	‡Mainmet Hldgs 10p	70	...	—	—	—	74.5
=	F.P.	5/9	31	25	‡Metal Sciences 2½p	31	...	—	—	—	—
§150	F.P.	—	161	156	‡PCT Group 10p	161	...	b4.8	2.1	4.3	15.2
95	F.P.	12/3	98	88	Park Food 10p	88	...	u3.0	3.0	4.9	14.9
¶¶	F.P.	—	35	32	P'sonal AssetsTst 12½p	35	+1	—	—	—	—
§111	F.P.	26/8	254	165	‡P'lyt'chnicM'rine5p	240	...	ud2.0	1.9	1.2	—
85	F.P.	16/9	120	97	‡SCUSA Inc. $0.01	104	...	b0.015c	4.4	1.0	23.6
100	F.P.	2/9	85	78	‡Tech. for Bus. 10p	80	...	b4.2	6.0	7.5	11.1
85	F.P.	15/9	90	85	‡Thermal Scientific	88	...	b2.3	2.8	3.7	13.8
¶	F.P.	25/8	19	16	Yorks&Lancs Inv. W's	17	...	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc date	1983 High	1983 Low	Stock	Closing price	+ or −
99.296	£25	29/11	28	22	Allied-Lyons 11¾% Deb 2009	28	...
¶¶	F.P.	—	129	103	Atlantic Met'n (UK) 12% UL 91/97	105xd	...
—	£20	26/10	23¾	18	Bristol 11½% Red. 2008	23¾	+½
96.95	£25	21/10	27¾	22½	C.C.C. Economic 12¼% Gtd. Ln. 2013	27¾	+½
99.75	£30	—	135¼	105½	Cigna Overseas Finance 10% Ln. 2008	106½	+½
£100	£10	27/10	12¼	11	E'tbourne W'rworks 12½pcR.Deb.2004	12½	+¼
100p	F.P.	9/9	103p	101p	‡FKI 7% Red Cnv Pref	101p	...
‖	F.P.	21/10	103¼	100½	Fleming Am. Inv Tst 7% Cnv Uns Ln 99	101	+½
••	F.P.	30/9	105½p	101p	Fuller, Smith & Turner 8% 2nd Cm. Prf	103½p	+½
¶100p	25p	9/12	33¼p	25p	LASMO 9⅝% Cum Red Pref	33¼p	+¼
—	—	—	100⅝	100⅛	Nationwide 11¼% Bds 20/8/84	100⅝	...
100	—	—	100⅜	99⅞	Do 11% Bds 3/9/84	100⅛	...
—	F.P.	—	108½p	106p	Oceonics 10¾% Cum. Red. Pref. 1993	108½p	...
§100	F.P.	—	98½	92	Oldham 11¼% Red 2010	98½	+¼
§100	F.P.	—	103p	102p	Rookware 7.7% Cum. Cnv. 2nd Pref.	102p	...
98.578	£25	31/8	98	93½	Trafford Park Est. 11¼% 2007/11	97¾	+½
97.941	£25	14/10	28¾	23¼	Transport Dev 12½% Uns Ln 2008	28¾	+½
99.898	F.P.	20/9	129⅝	103½	Watn'yM nn&Trum'n 12½% Red.Deb.2006	104	...
103.5	—	—	102p	95½p	Weir 10% Red Cum Pref	95½p	−½
99.124	£25	25/10	28½	23¾	Westland 12⅜% Deb 2008	29	+½
¶¶	F.P.	23/9	107	100	Yorks & Lancs Inv 13⅛% Deb 2003	107	+½
¶100	£10	—	13	12	York Waterworks 6.75pc Red.Pref1991	12	...

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price	+ or −
92	Nil	—	—	17pm	12½pm	Anglo-Indonesian	17pm	...
80	Nil	—	—	10pm	9pm	Assoc. Paper	10pm	...
1250cts	Nil	—	—	68pm	42pm	Barlow Rand 10cts	57pm	−5
‖	Nil	—	19/10	4½pm	2¾pm	Bridgend Proc. 'A' Ord. 1p	4pm	+½
48	F.P.	—	28/10	48¾	47	Cambrian & Gen. Sec.	47	...
65	F.P.	—	28/10	68	64	" " Cap. 7½p	65	...
48	F.P.	—	30/9	56	50½	Chamberlain Phipps 10p	54	...
20cts	Nil	—	—	8pm	1½pm	Eagle Corp'n. 10cts	8pm	+2
40	Nil	—	—	85pm	62pm	Exco Int'l. 10p	85pm	...
82	F.P.	—	26/10	89	80	‡Floyd Oil 10p	82	−5
83	Nil	—	—	10pm	6pm	Garnar Booth	6pm	...
440	Nil	—	14/10	63	51	Group Lotus Car 10p	63	+2
317	Nil	—	—	3pm	2pm	Helene of London 10p	2½pm	...
50	F.P.	—	—	88	72	‡‡Marinex Pet. 10p	80	...
50	F.P.	—	28/9	456	425	Midland Bank £1	445	+3
35	Nil	—	—	10pm	7pm	Munton Bros. 10p	7pm	−½
A$2	Nil	—	—	73pm	65pm	Nat. Com. Bk Aust. $A1	73pm	+5
80	F.P.	—	21/10	87	81½	Nesco Invs	86	...
20p	F.P.	15/9	21/10	29	24	Parkdale 10p	29	...
11	Nil	—	—	8pm	6½pm	‡Parkfield Foundries 5p	8pm	...
120	Nil	—	—	9pm	3pm	Pritchard Servs	4½pm	+2½
10	F.P.	—	30/9	13	11¼	‡Sheraton Secs. 10p	13	...
95	F.P.	—	14/10	143	126	Steinberg 10p	138	−1
310	F.P.	—	25/10	368	352	Tate & Lyle £1	358	...
175	F.P.	—	30/9	240	203	Unitech 10p	220	−3
210	Nil	—	—	30pm	20pm	Utd. Newspapers	20pm	−10
180	F.P.	21/9	21/10	255	230	‡Webber Electro 12½p	235	+2
$US1.72	Nil	—	—	115pm	65pm	Weeks (B'muda) 10cts	82pm	...
$US1.72	Nil	—	—	130pm	80pm	Do. Aust. 10cts	98pm	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ⊕ Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3).

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 26	Oct 7	Dec 22	Jan 3
Oct 10	Oct 21	Jan 5	Jan 16
Oct 24	Nov 4	Jan 19	Jan 30

For rate indications see end of Share Information Service

Calls were arranged in Jardine Matheson, Edenspring, Raglan, Tesco, Talbex, ICL, Lofs, Security Centres, Hong Kong and Shanghai Banking, Premier Oil, Hogg Robinson, Bowater, Polly Peck, Fleet Holdings, Grattan, Coronation Syndicate, Amalgamated Estates, W. E. Norton and BP new. No puts were reported, although a double was taken out in BP new.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Abingworth	290	−18
Amber Day	9	−2
Atlantic Res.	430	−30
BP New	206	—
Cons. Gold Fields	577	−18
Cowie (T.)	40	+6
GEC	190	−6
Hawtin	14	+1¾
Inter-City Inv.	80	−4
Porter Chadburn	88	+11
Shell Transport	624	+2
Tesco	171	−5

FRIDAY'S

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
BTR	12	545	+8
Int. Sig. & Cnt.	12	184	+20
Lasmo	12	328	−5
Cable & W'less	11	445	−12
Cdby. Schwps.	11	101	+2
Exco Int. New	11	85pm	+13
Lonrho	11	108	+4
U. Nwspr. New	11	30pm	—
BP	10	436	+2
Eagle Star	10	480	+25
Hudson Pet. I.	10	116	+12
ICI	10	528	−6
Saat. & Saatchi	10	540	+50
Appl. Computer	9	430	+2

LONDON TRADED OPTIONS

Option	Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Brit. Petroleum (*440)						
300	146	—	—	1½	—	—
330	116	—	—	1½	—	—
360	86	92	—	1½	3	—
390	66	66	74	1½	4	9
420	29	44	52	5	[illegible]	[illegible]
460	7	22	28	24	[illegible]	[illegible]
Cons. Goldfields (*579)						
500	87	104	—	1½	[illegible]	[illegible]
550	47	67	80	8	[illegible]	[illegible]
600	14	38	52	35	[illegible]	[illegible]
650	3	16	28	80	[illegible]	[illegible]
Courtaulds (*98)						
66	35	—	—	—	[illegible]	[illegible]
76	25	29	—	0½	[illegible]	[illegible]
86	16	20	—	0¼	[illegible]	[illegible]
90	—	—	21	—	[illegible]	[illegible]
96	8	11	—	3	[illegible]	[illegible]
100	—	—	13	—	[illegible]	[illegible]
110	1½	5	9	13	[illegible]	[illegible]
Commercial Union (*168)						
120	50	—	—	0½	[illegible]	[illegible]
130	40	—	—	1½	[illegible]	[illegible]
140	30	32	35	1½	[illegible]	[illegible]
160	10	16	22	4	[illegible]	[illegible]
180	1½	7	10	21	[illegible]	[illegible]
G.E.C. (*198)						
180	20	26	32	3	[illegible]	[illegible]
200	6	15	21	14	[illegible]	[illegible]
220	1	7	13	30	[illegible]	[illegible]
240	1	2½	7	50	[illegible]	[illegible]
260	0¼	1	—	—	[illegible]	[illegible]
Grand Met. (*327)						
300	30	41	47	3	[illegible]	[illegible]
330	9	21	27	18	[illegible]	[illegible]
360	3	7	12	36	[illegible]	[illegible]
390	1	3	6	65	[illegible]	[illegible]
I.C.I. (*530)						
390	146	—	—	1	[illegible]	[illegible]
420	116	130	—	1	[illegible]	[illegible]
460	76	90	—	1	[illegible]	[illegible]
500	38	54	64	5	[illegible]	[illegible]
550	9	24	34	24	[illegible]	[illegible]
600	3	10	18	72	[illegible]	[illegible]
Land Securities (*315)						
260	57	—	—	—	[illegible]	[illegible]
280	37	43	49	1	[illegible]	[illegible]
300	19	27	34	3	[illegible]	[illegible]
330	2	11	16	19	[illegible]	[illegible]
Marks & Spencer (*212)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Transport (*622)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Barclays Bank (*477)						
460	30	45	55	9	15	25
500	10	25	35	30	37	47
550	2	8	18	77	80	87
Imperial Group (*116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*335)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*108)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*327)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*207)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*639)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
Beecham (*321)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*170)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sept. 26. Total Contracts 2,580 Calls 1,903 Puts 677
* Underlying security price.

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102½	100½	Exch. 13¼pc '83	100½	−⅛	13.43	9.45
100	98	Exch. 10pc 1983	100⅛	.....	9.99	9.18
99¼	96¼	Funding 5½pc '82-84‡‡	99	..	5.55	8.10
101¼	99½	Exch. 11¼pc 1984	100	−	11.16	9.24
104⅛	100	Exchequer 14pc 1984	102½	−	13.66	9.78
95⅝	92½	Exch. 3pc 1984	95⅝	..	3.14	9.29
102	100	Treasury 12pc 1984	102xd	+	11.73	9.45
107	104	Treasury 15pc 1985	105	.....	14.16	10.27
107	101	Exch. 12pc Cnv. '85	102	+	11.67	9.92
92⅞	88⅝	Treasury 3pc 1985	92	....	3.25	8.05
102½	99⅜	Treasury 11½pc 1985	102½	.....	11.22	9.89
102	95	Treas 8¾pcCnv '85	98⅝	−⅛	8.87	9.52
103⅝	100⅛	Exch. 12¼pc 1985	103	+	11.83	10.30
102⅝	99	Exch. 11¾pc '86	102⅝	+⅛	11.45	10.45
101⅛	97¼	Treas 10pc Cnv 1986	100	+	9.92	9.62
88½	85⅝	Treasury 3pc 1986	87½	+	3.43	8.35
101	97	Exch. 10½pc Cv '86	100	+	10.44	10.23
103	100	Treasury 12pc '86	102⅞	+	11.66	10.71
95⅝	94½	Treasury 8¼pc '84-86‡‡	95⅝	+	8.89	10.31
114	103¼	Treas. 12¾pc '86 Cnv.	109¼	+½	11.21	8.43
109	105	Exch. 14pc 1986	107	+	12.97	10.92
107¼	103⅝	Exch. 13¼pc 1987	106¼	+⅛	12.47	10.91
98	95⅞	Tr 10¼pc Cv '87	98	.....	10.37	10.70
84	80¼	Exchequer 2½pc 1987	81	+⅛	3.05	8.78
100	95⅞	Exch. 10½pc 1987	99xd	−⅛	10.59	10.74
93¼	88⅛	Funding 6½pc '85-87‡‡	88xd	+	7.31	10.28
21	20	Treas 10pc '87 (£20pd)	20	+	10.23	10.73
86	80¼	Treasury 3pc 1987	81¼	−	3.67	8.74
104⅝	99⅞	Treas 12pc 1987	103⅛	+	11.66	11.01
93¼	89⅛	Treasury 7¾pc '85-88‡‡	90⅝	....	8.58	10.55

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 7%.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

FT LONDON SHARE INFORMATION SERVICE

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued.

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS

3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

Authorised Units—continued

Equity & Law Un Tst Mngs (a) (b) (e)
Amersham Rd, High Wycombe. 0494 33377

Euro Tst Acc	59 2	63.6	....	1.60

Robert Fleming & Co Ltd
8 Crosby Square, EC3A 6AN. 01-638 5858

AmExFd*	£270.36	276.23	....	0.63
JapErFd*	£155.23	160.28	....	1.15

Next subscription day Sept 1 1983.
*Fleming American Property Unit Trust.
Latest issue price (15/8) US$10.567.
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust.
Latest issue price (24.6) £2.067.
Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mgrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2020

Gilt & Fixed	113 8	178.3xd		9.81
Growth Eq	100.7	108.3	+0.8	2.45
Guardhill	182.9	189.5xd	....	3.36
Nth Amer	96.1	103.4	....	2.42
Pacific	103 2	111.0	....	1.14
Prop Share	95 6	102 9	+1.0	2.13
Smllr Cos	110.7	119.1	+0.6	1.31

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier NT Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex. 0227-227300

SmllrCosTst	50.9	53.6	+0.1	4.61
N Amer Tst	49.1	51.7	−0.2	2.24
JapanFarTst	51.5	54.2	+0.5	0.96
ScandinavianTst	—	50.0	....	1.50

Hexagon Services Ltd
4 Gt St Helens, London EC4P 3EP. 0708 45322

AustFrsGw	108.4	114.7	....	1.65
BrewinCap	84.5	89.0	....	0.58
BrewinGtIn	74.9	78.9	....	3 98
CapGwthFd	111.8	120.3	....	0.94

Lawson Fund Managers Ltd (a) (c) (q)
43 Charlotte Sq, Edinbgh 2. 031-225 6001

CharlttsSqFd	48.4	50.4	+0.4	5.2
Penny Sh Fd	14.0	15.0	....	1.8
Aust & Pac	9.7	10.3	....	0.58
High Yield	19 7	21.4	....	10.40
Do Accum	20 8	22.5	....	10.40

MGM Unit Managers Ltd
MGM House, Heene Road, Worthing. 01-623 8211

High Inc	130.3	140.1	+1 0	6.19
(Accum Uts)	132.2	142.1	+1.1	6.19
UK Growth	125.4	134.8	+0.4	3.15
(Accum Uts)	125.6	135.1	+0.4	3.15

MLA Unit Trust Management Ltd
Old Queen Street, SW1A 9JG. 01-222 8576

MLA Uts	181.5	190.5	....	2.81
MLA Int	28 5	29.9	....	0 84

The Money Market Trust
63 Qn Victoria St EC4N 4ST. 01-236 0952

Call Fund	—	—		9 70
7 Day Fund	—	—		9 41

†Unauthorised—Sterling Deposit Fund.

Offshore and Overseas—continued

Actibonds Investment Fund SA
37 rue Notre Dam, Luxembrg. Tel 47971

Actibonds In	—	$19.61	....	—

Alliance Capital Management Intl Inc
62 63 Queen St, London, EC4. 01-248 8881
Alliance International Dollar Reserves
Distribution Sept 12-18 (0 001661) (9.00% pa)

AIntHCCresSept21	$9.18	....	—
A Tech Fd Sept 21	$23 64	....	—
QuasarAcSept21	$63.42	....	—

Bamford Brandt Guernsey Mngt Ltd
PO Box 71, St Peter Port, Guernsey. 0481 26541

Tech&Coms	£8.86	9.3	....	—
IntGrowth	$17.32	18.77	....	—

Brown Shipley St Co (Jersey) Ltd
PO Box 583, St Helier, Jersey 0534 74777

Stg Capital	£16 24	16.25xd	....	—
IntCurrency	£1 06	1.12	....	—
IntBondInc	$10.25	10.85	....	—
IntBondAcc$	—	—	....	—

CAL Investments (IoM) Ltd
16 St Georges St Douglas IoM. 0624 20231

CAL C&C*	85.1	89 6	−2.8	—
CAL Metals*	90.1	94.8	−2.1	—
CAL Silv**	291.3	308.2	+1.9	—
CAL Gold**	—	—	....	—
CAL Copper**	—	—	....	—
CAL Alumin**	—	—	....	—

Dealing days every Monday.

CAL Investments (Bermuda) Limited
PO Box 1022, Hamilton, Bermuda. (809-29) 5-5950

CAL CTR Fd	78.3	82.2	....	—

Dealing days every Monday.

Commodity Advisory Svcs (IoM) Ltd
48 Athol St, Douglas, IoM 0624-20845

ComSFFAc	87.15	90.78	....	—
Com&FFD	87.15	90.78	....	—

Next dealing date Oct 3.

Citibank (CI) Ltd "Citifunds"

Channel Is. Transatlantic Inv Fds Ltd
Green St, St Helier 0534-70334

U.S. $ Fund	$10.263	+0.002	—
£Sterling Fund	£5.131	+0.001	—
SwFrancFd	SwFr20.168	+0.001	—
Jap Yen Fd	Y2030.807	+0.298	—
DeutschmkFd	DM20.262	+0.002	—
Managed Fund	$10.102	+0.017	—

DunVest Ltd
PO Box 887, Grand Cayman.

NAV	$136 80	....	—

First Gold & Metals Trust PLC
60 St James's St, London SW1. 01-499 4341

First Gold	9.21	....	—

Forbes Securities Management Co.
PO Box 887, Grand Cayman, BWI. London Agents 01-839 3013

Gold Inc	$9.41	9.91	....	—
Gold App	7.83	8 26	....	—
Dollar Inc	$9.37	9.72	....	—

Framlington Overseas Fd Mngt Ltd
PO Box 71, St Peter Port, Guernsey. 0481 26541

O'seas&Gth	48.4	52.7	....	4.00
O'seas&Gth$	72.8	79.4	....	4.00

GRE Intl Inv Mgmt Ltd
PO Box 194, St Helier, Jersey. 0534 27441

ManCurFd	£19.14	—	+0.01	—

Grindlay Henderson Mngt Ltd
PO Box 414, St Helier, Jersey. 0534 74248

Mgd Fdd	£10.2855	10.7998	+0.0182
Mgd Acc	£9.7495	10.2370	+0.0167
Stlg Fd	£10.2119	—	+0.0025
Stlg Acc	£10.1580	—	+0.0027
U.S. $ Fd	$20 4024	—	+0.0049
U.S. $ Acc	$20.3597	—	+0.0051
DMA	DM50.3673	—	+0.0058
SwFr	SwFr50.3638	—	+0.0061
Yen	Y5.052	—	+1.0

Jardine Fleming and Co Ltd
46th Floor, Connaught Centre, Hong Kong

Curr & Bd	$12.71	—	+0.20	9.40
(Accum)	$17.97	—	+0.28	—
Ascan	$10 13	—	+0.13	—
(Accum)	$10 13	—	−0.13	—
American	$9.72	—	+0.31	—
(Accum)	$9 72	—	+0.13	—
Mgd Curr	$10 05	—	+0.03	9.50
(Accum)	$10.05	—	+0.03	9.50

Lazard Brothers and Co (Jersey) Ltd
PO Box 108, St Helier, Jersey, C I. 053437361

LazBrFarE	$14.10	15 00		7.00
CoGBd	$1,382.66	1400.10	+32.23	11.01
D'FxedBdFd	$10 11	10 15	+0 12	5.0
Do Accum	$10.11	10.15	+0.12	5.0
N Am Fd	$10.21	10 87	....	—

Lloyds Bank International, Geneva
PO Box 438, 1211 Geneva 11 (Switzerland)

L I Dollar	$97.30	100.40	—
L I Growth	SF911.50	971 00	1.50
L I Income	SF298.00	309 50	6.50
L I Pacific	SF100.90	106.40	—

Management International Ltd
Bk of B'muda Bldgs B'muda 809-295-4000

Bda IBFC	$16 22	16.40	....	—
Bda IBFI	$11 38	11.51	....	—

Prices on Sept 16. Next dealing Sept 23.

Bda IEFC	$10.23	10.44	....	—
Bda IEFI	$10.23	10.44	....	—

Prices on Sept 21. Next dealing Sept 28.

Manufacturers Hanover Geofunds
PO Box 92, St Peter Port, Guernsey. 0481 23961

LA Inc	$103.80	103.81	....	9.33
LT Acc$	$124 99	125.25	....	11 02
MIT Inc	$110.39	110 95	....	10.71
MIT Acc$	$125 74	126.39	.	15.59

Geofund International Reserves Ltd.

Sterling	£5 061	+0.001	—
U.S. $	$10.121	+0.002	—
D-Mark	DM20.119	+0.003	—
Swiss Fr	SwFr20.081	+0.002	—
Jap Yen	Y2014.1	+0.4	—
Managed Fd	$10.088	+0.008	—

Marine Midland (CI) Ltd
140 B'way NY 10015 USA. 212-440-1000
Queens Hse, Don Rd, St Helier. 0534 71460

Intcurcy	$1,038.89	....	—

Next sub day Oct 13.

Samuel Montagu Ldn Agents
114 Old Broad St, EC2. 01-626 3434

ApSept20	SF89.80	97 50	..	1.43
JpSept15	HK37.5	40.58	....	0.18
117GpA31	$17 94	19.30	....	—
JsyFdA31	$12.80	13.94	....	—
MontFRNF	$10.24	10.77	....	—
U.S. FIF	$9.54	10.05	....	—

Nat Westminster Jersey Fd Mgrs Ltd
23.25 Broad St, St Helier, Jersey. 0534 70041

County Bank Currency Fund Ltd (x)

Dollar class	$20 6100	+0.0055	—
Sterling class	£10.3106	+0.0026	—
D-mark class	DM50.6502	+0.0060	—
DutchGuilder	DFl50.7158	+0.0065	—
Jap Yen cl	Y5092.9203	+0.7962	—

Norcap Fund Managers (Bermuda) Ltd
Bank of Bermuda Building, Bermuda. 809 29 5400

Amer Tst	$11 22	11.69	...	—

Perpetual UT Managers (Jersey) Ltd
PO Box 459, St Helier, Jersey. 0534 74517

Offshr Grw	$1.121	1.193	....	2.00

Rothschild Asset Management (CI)
St Julian's Ct, St Peter Port, Guernsey. 0481 26741

OC International Reserves Ltd

Bel Francs	BFr862.4	+0.160	6.89
Canadian $	C$37.1	+0.010	8.04
D-Mark	DM51.045	+0.005	4.32
Dutch Guilder	Fls50.58	+0.010	4.77
FrenchFranc	FFr165.135	+0.050	11.35
Italian Lire	L37.366	+16	14.95
Jap Yen	Y6314.52	+1 050	6.08
Singapore $	S$04 235	+0 010	7.10
£ Sterling	£14.477	+0.040	8.80
Swiss Franc	SwFr46 05	+0 004	3 03
U.S. $	$29 65	+0.005	8.87

Daily dealings.
For other Rothschild Offshore Funds see Offshore and Overseas section.

Schroder Mngt Services (Jersey) Ltd
PO Box 195, St Helier, Jersey. 0534 27561

Schroder Money Funds Ltd

Sterling	£14.1225	....	—
U.S. Dollar	$26 4326	....	—
D-Mark	DM51.3607	....	—
Swiss Franc	SFr1 0295		—

J. Henry Schroder Wagg and Co Ltd
120 Cheapside, EC2. 01-382 6000

Naes&TS23	$61.50	—	+0 40	—

Target Trust Mgrs (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534 27441

Mgd Cur Fd	95 9	101.0	+1.0	—

Tyndall-Guardian Management Ltd
PO Box 1256, Hamilton, Bermuda.

T-G Am	$23 13	....	—
T-G Money	$21 51	....	—
T-G E bond	$15 41	....	—
T-G Com	$19.72	....	—
T-G Mort	C$19 93	....	—
T-G O seas	$12.22	....	—
T-G Pacific	Y2 054	....	—
T-G Wall St	$26 11	....	—

United Fund Managers Ltd
56-58 Queens Road Central, Hong Kong 5-231417

S&MlyT	$10.13	10.49	....	—

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707-42311

Pension Funds				
EqPenFdAc	598.0	629 4	+2 4	—
FxdPenAc	413 4	435 2	+2.3	—
GtMinPnAc	245.7	258.6	+0.2	—
Intl Man	250 6	263.7	+0.3	—
Jap Pens Fd	114.8	120 8	+2.1	—
AmPfDdAc	138 3	145 5	−0 4	—
Prop Pn Ac	224.6	236.4	+0 1	—
MolnPnAc	505.2	531.7	+1.9	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnUtSept24	—	145.47	....	—
VarAnUtSep24	—	32.79	....	—
Prime Series				
Managed	123.5	130.0	+0.8	—
UK Equity	125 3	131 9	+0 8	—
Int Equity	120 6	127.0	+0.7	—
Property	101.8	107 2	....	—
Fixed In	109 0	114 8	+0 4	—
Index Lk Gt	89.8	94 6	+0.1	—
Cash	98.7	103.9	+0.1	—
Hand-in-Hand				
Cash	120 5	126 9	....	—
Fixed Int	138 5	145.8	....	—
Property	140 3	147.7	....	—
NatWest	122.4	192.1	....	—

Continental Life Insurance PLC
64/70 High St, Croydon, CR0 9XN. 01-680 5225

Equity Acc	148.1	155.9	....	—
Propty Acc	136.1	143.3	....	—
Int Acc	145 8	153.5	....	—
Managd Acc	145.5	153.2	....	—
PenEqtyAcc	170 9	179 9	....	—
PenPrpAcc	138 4	145.7	....	—
PenIntlAcc	149.4	157 3	....	—

Gilt, Deposit, Index Fund prices available on request.

Crown Life
Crown Life House, Woking GU21 1XW. 04862 5033

PensMgAcc	152.4	160.5	....	—
PECorontFd	175.8	185 0	....	—
BrewInEqFd	237.9	250.4	....	—
StratInvFd	138 8	146.1	....	—
PenMnyAcc	123.8	130.3	+0.4	—
PenMnyInt	114.2	120.2	+0.4	—
Sage Fd	113.3	119.2	....	—
Heritage Fd	131.1	138.0	....	—
DBS Mangd	131.1	137 9	....	—

Friends' Provident Life Office
Pixham End, Dorking. (0306) 885055

Life Funds				
Cash Accum	96.7	101.8	....	—
UK Eqty Ac	105.0	110 6	+0.5	—
Fxd Int Ac	100.5	105.8	+0.6	—
IndxLkdAcc	93.0	97.9	....	—
Mixed Acc	101.9	107 3	+0.4	—
O'seasEqFd	102.6	108.0	+0.1	—
Propty Acc	96.2	101.3	....	—
Pension Funds				
Cash	96.9	102.1	....	—
Cash Acc	98.2	103.4	....	—
UK Eq Cap	102.8	108 3	+0.4	—
UK Eq Acc	104.2	109.7	+0 4	—
FxdIntCapt	99.3	104 6	+0 6	—
FxdIntAcc	100.6	106.0	+0.6	—
Indx Lkd Cptl	91.2	96 1	....	—
Indx Lkd Acc	92.5	97.4	....	—
Mixed Captl	100.6	105.9	+0.3	—
Mixed Acc	101.9	107.3	−0.3	—
O'seasEqCp	104.8	110.4	....	—
O'seasEqAc	106.3	111.9	....	—
Propty Captl	94.9	99.9	....	—
Property Acc	96.1	101.2	....	—

Guardian Royal Exchange
Royal Exchange, EC3. 01-283 7107

GRE Pensions Management Ltd

PensPrpInt	129.5	136.3	....	—
PensPrpAcc	140 1	147.5	....	—
PensLyLkGInt	95.2	100.2	+0.4	—
PensIxLkGAc	96.1	101.1	+0.4	—
PensDepInt	136 6	143.8	+0.1	—
PensDepAcc	148.0	155.8	+0.1	—

Henderson Administration
26 Finsbury Sq, London EC2. 01-638 5757

High Inc	142.5	150.1	+0.3	—
Gilt Edged	99.3	104.6	+0.4	—
Cap Growth	143 5	151.5	+0.7	—
Technology	173.2	182.4	+0.9	—
Nat Res'ces	140.9	148.4	+0.8	—
Spec Sits	192.3	202 5	+0 4	—
N America	228.1	240.2	−2.3	—
Far East	178.6	188.1	+3.0	—
Property	116.1	122.3	....	—
Managed	187.9	197.3	+0.4	—
Prime Rest	116.5	122.7	....	—
Deposit	117.1	123.3	....	—
Pension Funds				
UK Equity	103.3	108.5	+0.6	—
Fixed Int	110.9	116.8	+0.5	—
Spec Sits	124.5	131.1	+0.5	—
N America	115.2	121.3	−1.3	—
Far East	122.6	129.1	+2.3	—
Managed	114.0	120.2	−0.1	—
Comm Prop	100.3	105.6	....	—
Prime Rest	104 2	109.7	....	—
Deposit	100.3	105.6	....	—

Capital unit prices available on request.

London Life Linked Assn Ltd
100 Temple St, Bristol BS1 6EA. 0272-279179

Equity	226 1	232.8	....	—
Fixed Int	164 5	165 3	....	—
Property	165 3	170.2	....	—
Deposit	141.6	141.6	....	—
Mixed	191 5	195 6	....	—
Index Stk	108 7	109 2	....	—
International	113 3	117 6	....	—

London Life Managed Funds Ltd

Equity(P)	161.0	165.6	....	—
Fixed Int(P)	169 7	170 9	....	—
Property(P)	119.6	123.7	....	—
Deposit(P)	121 2	121 2	....	—
Mixed(P)	151 2	154 8	....	—
Index Stk	114.9	115 7	....	—
Intl Equity	110.7	112.9	....	—

Moneywise Friendly Society
80 Holdenhurst Rd, Bournemouth. 0202 295678

MonywiseInt	47.8	50.9	....	—

Municipal Life Assurance Ltd
99 Sandling Rd, Maidstone. 0622 679351

Equity Fd	94 0	100 0	....	—
Mangd Fd	102.0	108 0	....	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath. 0444 458721

Nat Res'ces	117.0	124 0	+1.0	—
Property	139.0	147 0	....	—
UK Equity	138.0	146 0	....	—
Intl Equity	123 0	130.0	+1.0	—

Prudential Pensions Ltd
Holborn Bars, EC1 2NH. 01-405 9222
Pru-Link Retirement Plan

Managed Fd	143.5	149.5	....	—
Cash Fund	112 7	117.4	....	—

St George Assurance Co Ltd
The Priory, Hitchin, Herts. 0462 57161

Managed Fd	102 6	108 0	....	—
Universal Fd	100.4	105.7	....	—

Save & Prosper Group
4 Gt St Helens, London EC3P 3EP. 0708-66966

Gilt Pen Fd	186.1	197.0	+0.9	—
Dep Pen Fd‡	185.9	196 8		—
GlobalEqPen	57.0	60 4	+0.5	—

Skandia Life Assurance Co Ltd
Frobisher Hse, Southampton. 0703-334411

Managed	154 3	162.4	+0.9	—
Equity	162.0	170.5	+0.6	—
International	181.7	191 3	+1.6	—
N America	111.9	117.8	+1.2	—
N European	102.3	107.7	+0.4	—
Pacific	111.5	117 4	+1.4	—
IntRecovery	112.6	118 5	+1.5	—
Gilt Plus	142 0	149.5	+0.6	—
Property	128.5	135 3	+0.1	—
Deposit	131.2	138.1	....	—
PensManagd	184 6	194.3	+1.2	—
Pens Equity	190.5	200.5	+0 8	—
Pens Intl	220.5	232.1	+2.3	—
Pens N Am	115.1	121.2	+1.4	—
Pens N Euro	104.5	110 0	+0.4	—
Pens Pacific	114.3	120.3	+1.7	—
PensIntRec	115.0	121.0	+1.8	—
PensGtPls	171.0	180 0	+1.0	—
Pens Propty	156 3	164 5	....	—
Pens Dep	160.1	168.5	....	—

For prices of Capital Units and Guaranteed Basic Rates please phone 0703 334411.

Target Life Assurance Co Ltd
Target House, Gatehouse Road Aylesbury, Bucks. Aylesbury (0295) 594*

Sterling	—	—	....	6 5
U.S. Dollar	—	—	....	5 5
Swiss Francs	—	—	....	4.5
Deutsche Mark	—	—	....	2.8
Yen	—	—	....	4.1

TSB Life Ltd
PO Box 3, Keens House, Andover, Hants. SP10 1PG.

Managed Fd	105.0	110.6	+0.5	—
Property Fd	97.5	102.8	+0.1	—
Fixed Int Fd	101.2	106.6	+0 6	—
Money Fd	97.6	102 9	....	—
Equity Fd	111.5	117.5	+0.6	—

Windsor Life Assurance Co Ltd
Royal Albert Hse, Sheet St, Windsor 68144

N Amer Fd	210.6	221 7	....	—
Far East Fd	127 5	134.3	....	—
FutAssGth	77.0(A)	85 0(B)	....	—
Ret Assd Pen		52.36	....	—

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard EC4P 4DX 01-236 1833

High Income				
Gilts & Fixed Int	114 5	121.2xd	+0.5	9 90
High Inc Equity	52 2	56 1	+0.1	6.49
Capital Growth				
American Growth	105.2	113 1	−0.9	1 49

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2
01-638 0478/0479 or 01-588 2777
Britannia Viewpoint 01-673 0048

UK Specialist Funds				
Assets	156.2	168.4		3 37
Recovery	59 6	64 3	−0 4	2.98
Smaller Cos	88.5	95 2	+0.2	1 76
Spec. Mkt. Sits.	74 6	80 4	+0 4	1 47
UK Blue Chip	51.3	55.3	+0.3	3 13
High Income Funds				
Nat. High Inc.	102.9	110 9xd	...	6.76
Extra Inc.	42.3	45.6	...	8.66

Duncan Lawrie Fnd. Mgrs. (g)
1, Hobart Place, London SW1W 0HU. 01-245 9321

Growth	19.6	21.1	...	3.6
Income	34.9	37.5	+0.1	9.4

Henderson Administration (a) (b) (c)
Premier UT Admin, 5 Rayleigh Rd, Hutton, Brntwd, Essex. 0277 217238
U.K. Funds

Save & Prosper—continued

Overseas Funds & Sector Funds				
Europe (z)	149.8	161 2	+0.6	0 95
Japan (z)	193 9	208 7	+3 1	0 21
Japan Smllr. Co's (z)	48 4	52.3	+0.7	—
S E Asia (z)	71.2	76 6	+0.7	1 32
U.S. (z)	235 6	253 6	−0.9	0 45
Commodity	172 8	186 0	+1 4	1 93
Energy	153 0	164 6	+0 4	1 99
Exploration Fund (z)	39 1	42 0	+0.1	0 25

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol 0272 732241

Australian Securities	73 4	79.0	+2 0
(Accum. Units)	73 9	79.5	+2 0
Capital	215 4	230 6	+1 0
(Accum. Units)	353 8	378 6	+1.6
Exempt	177 0	190 4xd	+0 4
(Accum. Units)	350 0	376 4	+0.8
Far Eastern	113 5	122 1xd	+0.5

INSURANCES

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	65.4	69.3	....	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Mngr Sept 15.	61.2	66.0	....	—
MM Flexible Sept 6	52.6	55.4	....	—
Fixed Interest Sept 1	54.7	57.7	...	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invst. Tst. Fd. Cap.	292.3	—	+1.3	—
Invst. Tst. Fd. Acc.	308.8	—	+1.5	12.3
Property Fund Cap.	117.1	—	-0.1	—
Property Fund Acc.	123.4	—	....	4.3
Flexible Fund Cap.	182.2	—	+0.7	—
Flexible Fund Acc.	191.9	—	+0.8	4.4
Fixed Int. Fd. Cap.	139.5	—	+0.4	—
Fixed Int. Fd. Acc.	147.2	—	+0.5	—
Gtd. Deposit Fd. Cap.	138.9	—	....	—
Gtd. Deposit Fd. Acc.	145.4	—	+0.1	—
Equity Fund Cap.	130.7	—	+0.3	—
Equity Fund Acc.	137.3	—	+0.4	—
International Fd. Cap.	140.5	—	+0.2	—
International Fd. Acc.	147.5	—	+0.2	—
Capital Gwth. Fd.	421.8	—	+1.4	—
Moneymaker Fund	169.1	—	+0.7	—
Exempt Inv Tst Cap.	409.2	—	+1.9	—
Exempt Inv Tst Acc.	424.6	—	+2.1	—
Exempt Inv Tst NS	422.3	—	+2.1	8.4
Exempt Ppty Cap	189.0	—	-0.1	—
Exempt Ppty Acc	196.3	—	....	—
Exempt Ppty NS	195.1	—	+1.0	3.9

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	287.8	....	—
Property Fund (A)	288.0	....	—
Agricultural Fund	1,106.0	....	—
Agric. Fund (A)	1,077.2	....	—
Abbey Nat. Fund	228.4	....	—
Abbey Nat. Fd. (A)	227.5	....	—
Investment Fund	138.8	....	—
Investment Fund (A)	136.2	....	—
Equity Fund	416.3	+2.3	—
Equity Fund (A)	408.5	+2.3	—
Money Fund	215.3	....	—
Money Fund (A)	211.4	....	—
Actuarial Fund	221.1	....	—
Gilt-edged Fund	191.2	+0.2	—
Gilt-Edged Fd. (A)	191.2	+0.2	—
Retire Annuity	352.0	....	—
Immed. Annty.	193.0	....	—
International Fd.	271.6	+1.4	—
Bldg. Soc. Life Fd.	103.8	....	—

Property Gth Pens & Annuities Ltd

All W'ther Ac. Uts.	254.0	267.3	....	—
Inv. Fd. Uts.		294.3	....	—
Pension Fd. Uts.		250.4	....	—
Conv. Pens. Fd.		288.1	....	—
Cnv. Pns. Cap. Ut.		216.4	....	—
Man. Pens. Fd.		325.0	....	—
Man. Pens. Cap. Ut.		254.8	....	—
Prop. Pens. Fd.		279.5	....	—
Prop. Pens. Cap. Uts.		212.6	....	—
Bldg. Soc. Pen. Ut.		251.1	....	—
Bldg. Soc. Cap. Ut.		193.8	....	—
Gilts Pens. Fd.		168.4	+0.8	—
Gilts Pens. Fd. Cap.		147.6	+0.7	—
Equity Pens. Fd.		263.9	+2.0	—
Equity Pens. Fd. Cap.		223.0	+1.7	—

Providence Capital Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

Equity Acc.	106.7	112.4	+1.3	—
Fixed Interest Acc.	92.9	98.0	+1.7	—
Intnl. Acc.	83.4	87.0	+1.4	—

Standard Life Assurance Company
3 George St., Edinburgh EH2

Managed	200.9
Property	151.6
Equity	228.4
International	214.4
Fixed Interest	167.7
Index Linked	98.0
Cash	130.4
Pension Managed	234.7
Pension Property	153.8
Pension Equity	270.3
Pension Intl.	258.8
Pension Fxd. Int.	177.7
Pension Index Linked	98.6
Pension Cash	146.6

Sun Alliance Insurance
Sun Alliance House, Horsham

Index Linked Fund	107.6
Equity Fund	297.9
Fixed Interest Fund	197.8
Property Fund	212.8
International Fd.	181.9
Deposit Fund	143.4
Managed Fund	239.0
Int Bond Sept 28	

Series (2) Prices are for polic[illegible]
Series (1) These are bid p[illegible]

Individual Pension Funds

Index Linked	126.3
Equity	145.7
Fixed Int.	162.5
Property	108.3
International	152.6
Deposit	111.9
Managed	148.3

*Group Pension funds—Pri[illegible]

Sun Life of Canada (UK) Ltd.
2, 3, 4, Cockspur St., SW1Y 5BH 01-930 5400

Maple Leaf Plans

Growth Account	427.6

OFFSHORE AND OVERSEAS

Wardley Investment Services Ltd.

Wardley Trust	$5.45	5.90	...	
Wardley Nikko As. Fd.	$25.05	26.23	.	
Wardley Bond Trust	$10.30	10.50	..	
Wardley Japan Trust	$25.24	26.14	.....	

WestAvon Secs (Guernsey) Ltd
PO Box 214, St Peter Port, Guernsey 0481 27[illegible]

Gilt & Option Fd	£1.10	1.16	.	
US $ Option	$1.01	1.06	....	

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$13.09	-0.04	

Inv. Adv M. & G Inv Mngt., Ltd., London

Wren Commodity Management Ltd.
10, St George's St., Douglas IoM 0624 2[illegible]

Wren Com. Fund	26.1	27.1	
Chinese Fund	65.9	68.7	
Precious Metal Fund	120.9	125.9	
Vanguard Cmdy. Fd	37.0	37.9	
Financial Futures Fd.	76.4	79.6	
Wren Intl Fnd *	$0.560	6.585	

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

UK's grain harvest falls in spite of record wheat crop

BRITAIN'S WHEAT crop will be a record 10.7m tonnes this year. Barley production, however, will be 1.5m tonnes down at 9.4m tonnes and the total grain harvest at 20.6m will be 1.5m down on last year's record, with output of oats and mixed corn also lower.

These predictions, announced yesterday at the annual harvest lunch of the UK Agricultural Supply Trade Association (Ukasta), compare with the 21.3m-tonne harvest recently forecast by the Agriculture Ministry.

Mr Alan Price, Ukesta president, said the same harvest pattern appeared to have occurred in the rest of the EEC. The total barley shortfall as against last year in the European Comunity was estimated as being about 5m tonnes. This was the basis of the very strong trade for malting barley. Imports were being sought on the Continent to make up the shortfall.

Practically no grain was being offered for sale into intervention, as market prices for feed grains were well above the support level. Some anxiety, however, was expressed about the new quota system governing intervention support-buying for breadmaking wheat in the Community. It is thought doubtful that the UK will be able to obtain a worthwhile quota when the scheme opens in October. The lion's share would mostly go to France.

There was a good deal of comment about the strength of the wheat trade in view of the heavy harvest. It is claimed that prices are too high for the export trade and farmers were being unwise in sticking out for higher levels in view of the record wheat harvest. Exports of wheat from the UK were very low and those for barley looked like being restricted to malting qualities or malt.

The grain was so dry and in such good order that storage was no problem, Mr Price pointed out. He noted that the high domestic grain prices were bound to make things very difficult for intensive - livestock farmers.

Lead prices surge ahead

LEAD PRICES surged ahead on the London Metal Exchange yesterday, reaching the highest level since April this year. Cash lead closed £9.5 up at £291.75 a tonne, after gaining £13 on Friday.

The upward trend was encouraged by news of more North American domestic price rises, with both Cominco and Amax lifting their quotations by 2 cents to 25 cents a lb following better demand from battery-makers. Heavy speculative buying interest was triggered off by the market breaking out of it recent narrow price range.

Virtually ignored was yet another rise of 3,275 tonnes in lead stocks held in LME warehouses, taking total holdings to a record level of 215,125 tonnes.

Copper stocks rose again by 8,000 tonnes to a 4½-year peak of 375,05 tonnes. Early price gains in the market were wiped out in later trading and the market fell further in after-hours trading.

Zinc stocks rose by 525 to 113,075 tonnes; nickel by 330 to 24,564 tonnes; and silver by 640,000 to 37,520,000 ounces.

EEC stocks of skimmed milk powder double

By Our Commodities Editor

EUROPEAN Community stocks of skimmed milk powder doubled to 1.1m tonnes by the middle of this month, from 549,000 tonnes a year earlier, trade sources said in Hamburg. The sharp rise took stocks close to the 1977 record of 1.4m tonnes.

West German stocks, accounting for the bulk of EEC intervention, doubled to 662,000 tonnes over the same period. Substantial stocks are also held in The Netherlands, Belgium and France.

● THE U.S. House of Representatives' agriculture subcommittee on wheat, soyabeans and feed grains will hold a hearing on October 4 to review the European Community's plan to adopt an internal tax on fats and oils consumption.

● CRUDE PALM-OIL production by Malaysia this year is projected at 3.15m tonnes, down from just more than 3.52m estimated for last year, the U.S. Agriculture Department's officer in Kuala Lumpur says in a field report. Monthly production shows output below normal. Plantation reports indicate recovery is not in sight.

● CORN-GROWERS in the U.S. called for a feed-grain acreage reduction programme next year beyond the 10 per cent to 15 per cent voluntary reduction being considered by the Administration.

● HALAL slaughtering is to be supervised by the Australian Government under a new system to cover preparation of meat for all Moslem destinations, folowing criticism from some Arab states.

○ SOYA OIL shipped from Brazil or registered to be exported in this February-January crop year was a total 950,000 tonnes, the foreign trade department of Banco do Brasil said.

Detecting price trends from global weather

A special correspondent looks at the possible impact of the tropical Pacific Ocean's El Niño

ALL OVER the world, this year has been marked by more than its fair share of abnormal weather.

One explanation proposed for recent droughts as far apart as the U.S. Midwest, Australia and South Africa is that they are caused by changes in the surface temperature over a large part of the tropical Pacific Ocean often known as the El Niño.

Originally, the El Niño (Spanish for "the child") referred to conditions that started in some years off the coast of Peru around Christmas.

Warm water spread over the top of normally cold nutrient-rich coastal waters, with catastrophic effects on the local *anchoveta fisheries*. Now the term has come to mean occasions when anomalously warm surface waters cover much of the tropical Pacific.

The importance of such events is that they are part of a large-scale atmospheric and oceanic fluctuation which occurs on average every three years, but the time between successive El Niños can vary from two to 10 years.

Clearly, if these variations can be linked to widespread adverse weather then, because they tend to occur in a somewhat predictable manner, they may provide the key to forecasting these extremes.

The broad weather patterns linked with the El Niño have been recognised since the 1920s when Sir Gilbert Walker presented clear evidence of a see-saw effect that "when pressure is high in the Pacific Ocean it tends to be low in the Indian Ocean from Africa to Australia and vice versa."

Only in recent years has it become clear how this behaviour is part of the whole process of the El Niño.

What happens is that in a remarkably predictable way the warm water which first appears off the coast of Peru over the course of a year spreads right the way across the Pacific like a huge tongue.

This development is associated with a decline in atmospheric pressure over the eastern Pacific and a rise over Australia and the Indian Ocean. With it the surface winds along the Equator reverse.

Where the pressure drops, the rainfall rises dramatically—in Guayaquil in Ecuador the excess rainfall between October 1982 and June 1983 was nearly three metres—while in the high pressure region drought conditions prevail.

The consequence of these shifts is to alter the pattern of intense convective activity which girdles the earth close to the Equator, and with it the rainfall patterns around the world.

Not only can they explain the drought in Australia but can be implicated in the delay of the onset of the monsoon in India last year and the droughts in northeast Brazil, central America and Southern Africa.

The effect of these unusual patterns are not confined to the tropics. The extreme weather patterns over the United States this summer were probably a consequence of such worldwide changes. The extraordinary cold winter of January 1977 in the United States and the worldwide abnormal weather patterns in the summer of 1972 have also been linked with earlier El Niños.

All this gives the impression that there is a simple connection between the apparently predictable variations in the tropical Pacific and the output of, say, the cornbelt of the United States. But there are a number of reasons why things are not as simple as some explanations might suggest.

To start with, the recent El Niño which began in May 1982 appeared first in the western Pacific and worked its way back towards South America. In doing so, it generated a series of extremes which surpassed anything on record.

As such, it was so different that there is good reason not to use this exceptional occasion as a guide to more normal events.

As an indication of this, an analysis of corn yields in the Midwest of the U.S. over the past 100 years has shown that the years featuring above-average temperatures in the central Pacific tend to record above average harvests. The opposite occurred this year.

Another problem is that in some years when the conditions appear to be ripe for the build up of the El Niño, it inexplicably fails to materialise. So it is not possible to predict when the tropical Pacific is going to warm up until the process is well advanced, by which time the forecasting advantage is much reduced.

This shows that because the tropics are the mighty engine driving much of the weather machine, changes here have major global consequences. But because we know so little about how all the mechanisms operate it is only with hindsight that we can explain the consequences of the changes.

Not until we have a more complete picture of what is happening in the tropics — information that will only come with the use of improved satellite systems — will we be able to improve our understanding of how worldwide weather anomalies are linked to events like the El Niño.

Meanwhile, those wishing to detect future movements in commodity prices in current changes in the tropical Pacific should be wary of oversimplified explanations about the way the global weather machine works.

Apple futures market plan

BY OUR COMMODITIES EDITOR

A FEASIBILITY study of the prospects for an apple futures market is to be comissioned. At an informal meeting organised by the Grain and Feed Trade Association (Gafta) at the request of fruit-trade organsations it was decided the idea of a futures market for apples was worth studying.

This was the pattern used to set up the highly successful London potato futures market. It is hoped Wye College will undertake a similar study for apples.

Initial suggestions are that the contract should be based on French golden delicious as a standard trading unit, with other varieties at different premiums, and that the market should be geared to the entire EEC, not just to Britain.

There are doubts whether the project will proceed. Gafta, however, is pressing on strongly with the proposed pigmeat futures contract, which has apparently received enthusiastic support fro mall sections of the industry.

A formation committee meeting will be held next month and it is hoped to launch the market, housed on the Baltic Exchange, early next year.

Dutch potato crop falls

SHARPLY REDUCED yields will cut the Dutch potato crop this year to 2.935m tonnes, against 3.78m tonnes last year, according to an official estimate out late yesterday afternoon. Average yields for ware and seed potatoes are estimated to have fallen from 33.3 tonnes to 29 tonnes per hectare.

Meanwhile on the London potato futures market yesterday prices moved very erratically in active trading with a turnover of 1,933 lots (of 40 tonnes each). The April position dropped £8 in early trading, rallied back up again and then fell back to close nearly £7 down

Third World wood call

INNOVATIVE FORMS to accelerate establishment of wood-processing industries in developing countries were called for yesterday as an international consultation in Helsinki ended.

The United Nations Industrial Development Organisation was asked to develop guideline for long-term collaboration agreements in joint ventures, training, management, marketing and provision of expertise.

Unido was also asked to provide information on existing and new uses of wood in construction, especially on woods suited to needs and conditions of Third World countries.

The meeting, which opened on September 19 was hosted by the Finnish Government and co-sponsored by Unido and the UN Food and Agriculture Organisation.

The consultation, attended by about 200 representatives of government, industry, labour, consumer groups and international organisations, was opened by Mr Seppo Lindblom, the Finnish Minister of Trado

He stressed Unido's catalytic role in the Third World's development process and the contribution the system of consultations was making to accelerates industrial progress of developing countries.

PRICE CHANGES

In tonnes unless stated otherwise	Sept. 26 1985	+ or —	Month ago
Metals			
Aluminium	£1050		£1050
Free Mkt	$1585/1615		$1600/650
Copper			
Cash h grade	£1036.5		£1072.75
3 mths	£1063.75		£1099.75
Cash Cathode	£1011.25	+2.25	£1041.25
3 months	£1037.5	+2.5	£1068.25
Gold troy oz	$415.625	+2.6	$423.925
Lead Cash	£291.75	+9.5	£263.75
3 months	£301.75	+10.0	£275.875
Nickel	£4645.34		£4625.93
Free mkt	220/250c		220/258c
Palladium	$152.50		$152.50
Platinum	£287.55	—0.50	£292.70
Quicksilver†	$500/510		$275/285
Silver troy oz	803.10p	+6.85	837.70p
3 mths	821.90p	+7.55	846.20p
Tin cash	£8606.5	+69	£8450.5
3 month	£8686.5	+65	£8566
Tungsten	$72.17		$64.32
Wolfsm 22.04 lb	$79/83		$76/77
Zinc Cash	£559	+1.5	£560.5
3 mths	£575.25	+2.5	£577.25
Producers	$880		$850

	Sept. 26 1985	+ or —	Month ago
Oils			
Coconut (Phil)	$945y	—5	$1015
Groundnut	‡		£1050
Linseed Crude	£521.50		‡
Palm Malayan	$577.5u	—2.5	$655
Seeds			
Copra Phill	$530x	—5	‡
Soyabean (U.S.)	$357v	—5	‡
Grains			
Barley Fut. Jan	£121.25	—0.50	£119.85
Maize	£144.50v		£143.50
Wheat Fut. Jan	£124.05	—1.0	£135.85
No2 Hard Wint.	‡		‡
Other commodities			
Cocoa ship't*	£1522.5	+3.5	£1563
Fut. Dec	£1493.5	+10.0	£1507
Coffee Ft. Nov	£1751.5	—2	£1710.5
Cotton A. Index	87.70c		91.40c
Gas Oil Oct	$255.25	—0.25	$259.25
Rubber (kilo)	74.50p	—1.75	78p
Sugar (Raw)	£141.5yw	—5.5	£158
Woolt'ps 64 z.	400p kilo		392 kilo

‡ Unquoted. z Aug-Sept. w Nov. u Dec. y Sept-Oct. x Oct-Nov. v Oct. † Per 16 lb flask. *Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.60	—0.02
Iranian Light	28.20	—
[illegible]	[illegible]	[illegible]

GAS OIL FUTURES

The IPE fell $2.00 in early trading, in noticeably low volume. Short-covering brought the market back to around unchanged levels.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Sept	251.50	+1.00	251.00-49.50
[illegible]	[illegible]	[illegible]	[illegible]

GOLD MARKETS

[illegible]

LONDON FUTURES

[illegible]

EUROPEAN MARKETS

[illegible]

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were firmer on the London Metal Exchange especially LEAD values which surged ahead on news of a producer price rise by Cominco [illegible]

COPPER

[illegible]

TIN

[illegible]

LEAD

[illegible]

ZINC

[illegible]

ALUMINIUM

[illegible]

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

E. Mids 118.90, N. East 121.60, Scotland 123.80. Feed Barley: N. East 115.90, Scotland 116.70. The UK monetary coefficient for the week beginning Monday, October 3 (based on HGCA calculations using four days exchange rates) is expected to remain [illegible]

POTATOES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

TEA AUCTIONS

LONDON TEA AUCTION—At this week's sale 18,766 packages were on offer. Demand was very strong and active. The first offerings of new season Assams came under the hammer today while greenish lines were irregular, coloury sorts met keen competition often above brokers' expectations. The first Bangladesh teas sold readily close to valuation. African CTC's were again well supported and put on 3p-6p with dusts a much better feature than of late. Ceylons and South Indians came in for strong demand at firm to dearer rates. Quotations: quality 176p a kg (180p), medium 160p a kg (155p), low medium 142p a kg (136p).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 340 tonnes. Orders were more extensive and business remained brisk, as customers dealt with the weekend demand. Useful contracts were arranged on Middle Eastern account, while African qualities were also sought on a broader scale.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business): Australian cents per kg. Oct 550.0, 551.0, 552.0-550.0; Dec 568.0, 569.5, 569.5- [illegible]

MEAT/FISH

[illegible]

INDICES

[illegible]

AMERICAN MARKETS

Precious metals were under light selling pressure from tired long liquidation on the failure of the markets to perform to the upside on the constructive money supply figures. Copper was weak on a continued build up in Comex and LME stocks. Sugar recovered from early losses as follow-through selling failed to materialise along with continued uncertainty over the International Sugar Organisation meetings. Cocoa was firm as manufacturer buying along with continued scepticism over the Ivory Coast crop encouraged renewed buying interest. Cocoa came under selling pressure in response to reports that a pact had been worked out with U.S. dock workers. Heating oil drifted lower with light selling based on the Lebanese ceasefire. Cotton remained under pressure as speculative liquidation continued on a general lack of fresh news and on weakness to soyabeans. The soyabean complex fell toward limit-down levels on reports of a pick-up in cash movement and reports of better than expected yields with corn following in sympathy. Wheat closed marginally higher on reports of Chinese buying interest, reports Heinold Commodities.

NEW YORK

COFFEE "C" 37,000 lb: cents/lb

	Close	High	Low	Prev
Dec	132.59	133.70	132.40	133.90
March	129.65	130.35	129.45	130.40
May	127.10	127.75	127.00	127.85
July	125.33	126.01	125.30	126.25
Sept	123.62	124.00	123.50	124.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb: cents/lb

	Close	High	Low	Prev
Oct	60.85	61.17	60.57	61.15
Dec	61.27	61.47	60.90	61.20
Feb	61.87	62.15	61.55	61.57
April	63.72	64.00	63.52	63.72
June	65.57	65.70	65.25	65.47
August	64.62	64.85	64.30	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

M1 weakens dollar in thin trade

Friday's fall of $3.1bn in U.S. weekly M1 money supply was much larger than expected, sending the dollar down sharply in New York. The trend continued in Europe yesterday, but at a slower pace in thin trading, as the markets awaited indications of easier Federal Reserve monetary policy, and lower U.S. interest rates. The downward drift was also encouraged by expectations of another large U.S. trade deficit to be announced on Wednesday.

Sterling moved down with the dollar, showing little reaction to the UK August trade figures. As expected these were better than the deficit recorded in July.

DOLLAR—Trade-weighted index (Bank of England) 127.4 against 122.1 six months ago. The dollar has retreated from the peaks touched in August, amid growing hopes that a sustained fall may be imminent following several weeks of good M1 money supply figures. An easing of Federal Reserve monetary policy, leading to lower U.S. interest rates, has been anticipated for some time, but previous disappointments will encourage some market caution.

The dollar fell to DM2.6445 from DM2.6570 against the D-mark; to FFr 8.0175 from FFr 8.04 against the French franc; to SwFr 2.1425 from SwFr 2.15 in terms of the Swiss franc; and to Y237.70 from Y239.90 against the Japanese yen.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. August average 1.5027. Trade-weighted index 84.6 against 84.6 at noon, 84.7 at the opening, and at the previous close, and 78.1 six months ago. The pound has been very steady recently, and the probable weakening against Continental currencies in sympathy with the dollar is likely to be welcomed. Sterling's recent performance, coupled with hopes of lower U.S. interest rates, has encouraged speculation about lower London rates.

The pound traded within a fairly narrow range of $1.5010 to $1.5075. It opened at $1.5060-1.5070, and closed at $1.5035-[illegible], a rise of 20 points on the day. On the other hand sterling fell to DM 3.98 from DM 3.9925; to FFr 12.0550 from FFr 12.0725; to SwFr 3.2250 from SwFr 3.23; and to Y357.75 from Y360.50.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.3320. August average 2.6736. Trade weighted index 126.3 against 131.4 six months ago. Until the recent easing of U.S. M1 money supply growth, the D-mark had been at its lowest level against the dollar for nearly 10 years, reflecting the large differential between U.S. and German interest rates.

A softer tone in U.S. rates together with a rise in the German Lombard rate have served to narrow the gap, however, as the Bundesbank has moved to counter excessive money supply growth.

The dollar lost ground at yesterday's fixing in Frankfurt following a fall in U.S. M1 money supply and a weaker trend in Euro-dollar rates. It was fixed at DM 2.6444 down from DM 2.6642 and there was no intervention by the Bundesbank. The U.S. unit did show some recovery from a low of DM 2.6380 as this level attracted fresh buying. A decrease in Middle East tension was also a factor behind the dollar's decline. Within the EMS the French franc fell to a record low of DM 33.005 per FFr 100 from DM 33.04.

ITALIAN LIRA — Trading range against the dollar in 1983 is 1,618.75 to 1,343. August average 1,588.87. Trade weighted index 49.7 against 52.4 six months ago. The lira has fallen to record lows against the dollar this summer and has recently shown a weaker tendency within the EMS based on an end to seasonal lira demand and a stronger D-mark.

EMS currencies were firmer against the lira at yesterday's fixing in Milan.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.8894	+2.20	+1.58	±1.5447
Danish Krone ...	8.14104	8.16145	+0.25	−0.37	±1.6425
German D-Mark	2.24184	2.26569	+1.06	+0.44	±1.0642
French Franc ...	6.87456	6.87054	−0.06	−0.68	±1.4052
Dutch Guilder ...	2.52595	2.53464	+0.34	−0.28	±1.4964
Irish Punt	0.72569	0.725367	−0.04	−0.66	±1.6699
Italian Lira	1403.49	1373.04	−2.17	−2.17	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Sept. 26	£	$		£ Note Rates
Argentina Peso...	18.96-19.02	12.62-12.65	Austria	27.80-28.10
Australia Dollar..	1.6735-1.6755	1.1132-1.1138	Belgium	80.85-81.65
Brazil Cruzeiro...	1,075.8-1,081.0	716.0-719.0	Denmark	14.25-14.40
Finland Markka..	8.5098-8.5219	5.6625-5.6645	France	11.99-12.11
Greek Drachma..	139.25 139.85	92.55-92.70	Germany	3.96-4.00
Hong Kong Dollar	12.55-12.75	8.35-8.45	Italy	2380-2420
Iran Rial	131.00*	87.50*	Japan	359-364
Kuwait Dinar (KD)	0.437-0.437½	0.29068-0.29085	Netherlands	4.41¼-4.46¼
Luxembourg Fr..	80.40-80.50	53.48-53.50	Norway	11.05-11.15
Malaysia Dollar..	3.52¼-3.53¼	2.344-2.360	Portugal	186-200
New Zealand Dlr.	2.2835-2.2885	1.5190-1.5214	Spain	219-234
Saudi Arab. Riyal	5.230-5.234	3.4797-3.4800	Sweden	11.74-11.84
Singapore Dollar	3.21-3.22	2.137-2.139	Switzerland	3.21-3.24
Sth. African Rand	1.6580-1.6610	1.1019-1.1031	United States	1.49½-1.51½
U.A.E. Dirham...	5.519-5.524	3.6720-3.6730	Yugoslavia	181-185

* Selling rates.

CURRENCY MOVEMENTS

Sept. 26	Bank of England Index	Morgan Guaranty Change %
Sterling	84.6	−65.
U.S. dollar	127.4	+15.8
Canadian dollar	92.4	+1.2
Austrian schilling	116.9	+5.4
Belgian franc	90.8	−11.3
Danish kroner	80.0	−5.0
Deutsche mark	126.3	+7.3
Swiss franc	151.6	+12.8
Guilder	116.2	+5.7
French franc	67.6	−14.5
Lira	49.7	−11.7
Yen	150.5	+9.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.702148	0.570126
U.S. $	8½	1.05582	0.85774
Canadian $	9.52	*	1.05631
Austria Sch	3¾	19.6414	15.9369
Belgian F	9	56.4969	45.88940
Danish Kr.	7½	10.0451	8.16145
D mark	4	2.79201	2.26659
Guilder	5	3.12470	2.53464
French F.	9½	8.46134	6.87054
Lira	17	1690.90	1373.04
Yen	5½	251.971	204.144
Norwgn Kr.	8	7.71139	6.32459
Spanish Pta	—	159.809	129.777
Swedish Kr	8½	8.26601	6.71701
Swiss Fr	4	2.26389	1.83661
Greek Dr'ch	20½	97.8956	79.4530

* C$/SDR rate for Sept 22, 1.29701.

THE POUND SPOT AND FORWARD

Sept 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5010-1.5075	1.5035-1.5045	0.03c pm-0.02c dis	0.04	0.03-0.08dis	−0.15
Canada	1.8500-1.8560	1.8515-1.8525	0.10c pm-par	0.32	0.13-0.03 pm	0.17
Nethlnd.	4.43¾-4.46	4.44½-4.45½	1½-1c pm	3.37	3⅞-3⅝ pm	3.26
Belgium	80.30-80.70	80.40-80.50	3c pm-7c dis	−0.30	2-12c dis	−0.35
Denmark	14.28-14.33	14.31-14.32	1¼-2¾ore dis	−1.47	4⅞-6 dis	−1.52
Ireland	1.2700-1.2760	1.2725-1.2735	0.16-0.19p dis	−1.65	0.53-0.58dis	−1.74
W. Ger.	3.97-3.99	3.97¼-3.98½	1½-1pf pm	3.77	3⅞-3⅝ pm	3.64

THE DOLLAR SPOT AND FORWARD

Sept 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5010-1.5075	1.5035-1.5045	0.03c pm-0.02 dis	0.04	0.03-0.08dis	−0.15
Ireland†	1.1798-1.1835	1.1798-1.1805	0.30-0.22c pm	2.64	0.82-0.67 pm	2.52
Canada	1.2312-1.2325	1.2320-1.2325	0.05-0.03c pm	0.44	0.15-0.12 pm	0.44
Nethlnd.	2.9555-2.9610	2.9595-2.9610	0.92-0.82c pm	3.53	2.47-2.37 pm	3.28
Belgium	53.45-53.54	53.48-53.50	1c pm-4 dis	−0.34	par-0.5 dis	−0.19
Denmark	9.5125-9.5240	9.5190-9.5240	0.90-1.40ore dis	−1.45	2.00-2.50dis	−0.94
W. Ger.	2.6380-2.6485	2.6440-2.6450	0.87-0.82pf pm	3.83	2.54-2.49 pm	3.80

EXCHANGE CROSS RATES

Sept. 26	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Swiss Franc	0.310	0.466	1.234	110.9	3.738	1.	1.380	746.4	0.574	24.95
Dutch Guilder	0.225	0.338	0.894	80.39	2.709	0.728	1.	540.9	0.416	18.08
Italian Lira 1,000	0.415	0.625	1.654	148.6	5.008	1.340	1.849	1000.	0.769	33.42
Canadian Dollar	0.540	0.812	2.149	193.2	6.509	1.741	2.403	1300.	1.	43.44
Belgian Franc 100	1.243	1.869	4.947	444.7	14.98	4.009	5.531	2992.	2.302	100.

FINANCIAL FUTURES

Firmer trend

Euro-dollar prices opened firmer in the London International Financial Futures Exchange yesterday. This followed Friday's announcement of a fall in U.S. M1 money supply of $3.1bn, reinforcing market hopes of a slightly more relaxed attitude by the Federal Reserve Board in its control of money supply. However, prices tended to ease from opening levels to finish close to the day's lows. This followed a weaker than expected start to trading in Chicago

Market intervention just recently to increase liquidity has been discounted as reflecting seasonal distortions due to tax payments and the accommodation of the Fed's latest refunding package. The December Euro-dollar price opened at 90.43 up from 90.23 at Friday's close and touched a high of 90.45 before drifting away to a close of 90.35 only just above the day's low of 90.34.

Sterling deposit futures opened firmer reflecting increased expectations of a cut in UK clearing bank base rates. But there was no change in Bank of England dealing rates and prices eased back from the day's highs. The December contract opened at 90.76 up from 90.66 and touched a high of 90.80 before retreating to close at 90.74.

Gilt futures recorded higher opening levels but soon met early selling. The price for December delivery touched a high of 109-00 after an opening level of 108-31 but eased to finish at 108-18, still up from Friday's close of 108-10.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	90.35	90.45	90.34	90.23
March	90.02	90.12	90.01	89.92
June	89.77	89.85	89.72	89.65
Sept	89.55	89.55	89.55	89.42
Dec	89.38	—	—	89.26

Volume 2,677 (2,388).
Previous day's open int. 6,007 (6,089).

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	72-23	73-04	72-19	72-13
March	72-05	72-18	72-01	72-02
June	71-22	72-02	71-21	71-20
Sept	71-10	71-21	71-10	71-08
Dec	71-00	71-10	71-00	70-30
March	70-25	70-30	70-24	70-22
June	—	—	—	70-15
Sept	70-11	70-19	70-10	70-09
Dec	—	—	—	—

ANNOUNCEMENTS

The partners have great pleasure in announcing that Mr Douglas A. Bell has become a member of The Stock Exchange and has been made an associate member of the firm with effect from Monday, 19th September, 1983.

Douglas Bell is the firm's senior dealer and has been with Speirs & Jeffrey since 1968.

MONEY MARKETS

London rates continue to ease

UK clearing bank base lending rate 9½ per cent (since June 14)

Short-term interest rates continued on a downward path on the London money market yesterday, reflecting the lower trend in Eurodollar rates, following Friday's decline in the New York Federal funds rate after the announcement of much better than expected M1 money supply figures.

In anticipation of a possible cut in UK bank base rates the discount houses remained reluctant to sell bills outright to the authorities as the Bank of England again declined the opportunity to reduce its dealing rates with the market. A very large shortage had been forecast of about £800m, and this was upgraded to £900m in the early afternoon, but then back to £800m slightly later.

Major factors were bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bill from Friday's tender amounting to £696m. Exchequer transactions absorbed another £378m, but these were partly offset by a fall in the note circulation of £254m.

In a move to take most of the sting out of the market, and remove any uncertainty, the Bank of England announced at noon that official dealing rates were unchanged, and at the same time bought £786m bills for resale in equal amounts on October 4 and 5 at rates of 9⅜-9½ per cent.

After lunch the authorities picked up a few short-dated bills by buying outright £3m bank bills in band 1 (up to 14 days maturity) at $9\frac{5}{16}$ per cent; and £7m bank bills in band 2 (15-33 days) at 9¼ per cent.

Late assistance amounted to £70m and the Bank of England provided total help during the day of £866m.

Discount houses buying rates for eligible bank bills eased slightly further to $9\frac{1}{32}$-$9\frac{1}{16}$ per cent, from $9\frac{1}{16}$-$9\frac{3}{32}$ per cent.

In Frankfurt call money was firm at 5.525 per cent, compared with 5.5 per cent on Friday, in fairly tight money market conditions influenced by corporate tax payments. Borrowing under the Lombard facility rose to DM 8bn from DM 3.1bn on Friday, partly for technical reasons, but also because of expected shortages tomorrow caused by pension payments.

LONDON MONEY RATES

Sept. 26 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9½-10½	10-10¼	—	—	9¾-10¼	8½-10	—	—	—
2 days notice	—	—	9¾-9⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	10¼	—	—	—	—
7 days notice	—	9¾-10	9⅝-9⅞	—	—	—	9⅝-9¾	—	—	—
One month	$9\frac{1}{16}$-$9\frac{3}{16}$	9⅝-9¾	9⅝	10-9¾	9⅝	$9\frac{13}{16}$-10	9¼	9⅝	9⅛	10
Two months	$9\frac{1}{16}$-$9\frac{3}{16}$	9½-9⅝	9½	9⅞-9⅝	9½	9⅞	9-9⅛	9⅛-$9\frac{3}{16}$	9⅛-$9\frac{3}{16}$	9¾
Three months	$9\frac{7}{16}$-$9\frac{9}{16}$	$9\frac{7}{16}$-$9\frac{9}{16}$	$9\frac{7}{16}$-9½	9⅞-9⅝	9½	9¾	9	$8\frac{15}{16}$-9	$9\frac{1}{32}$-$9\frac{1}{16}$	$9\frac{9}{16}$
Six months	$9\frac{7}{16}$-$9\frac{9}{16}$	$9\frac{7}{16}$-$9\frac{9}{16}$	9⅜-9½	9-9¾	9½	—	—	—	$9\frac{1}{32}$-$9\frac{1}{16}$	9½
Nine months	9½-9⅝	9½-$9\frac{11}{16}$	9⅝-9¾	9⅞-9⅝	9⅝	—	—	—	—	—
One year	9½-9⅝	9⅝-9¾	9¾	9⅞-9⅝	9¾	—	—	—	—	—
Two years	—	—	10½	—	—	—	—	—	—	—

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period August 2 to September 6 1983 (inclusive) 9.930 per cent.

Local authorities and finance houses seven days' notice others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅞ per cent; four years 11⅛ per cent; five years 11¼ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four months' bank bills 9-$9\frac{1}{16}$ per cent; four months' trade bills 9⅝ per cent.

Approximate selling rate for one-month Treasury bills 9⅛-$9\frac{5}{32}$ per cent; two months 9-$9\frac{1}{16}$ per cent and three months $8\frac{27}{32}$-8⅞ per cent. Approximate selling rate for one month bank bills 9¼-$9\frac{7}{32}$ per cent; two months 9-$9\frac{1}{16}$ per cent and three months $8\frac{31}{32}$ per cent; trade bills 9⅞ per cent; two months 9½ per cent and three months $9\frac{17}{32}$ per cent.

Finance Houses Base Rate (published by the Finance Houses Association) 10 per cent from September 1, 1983. London and Scottish Clearing Bank Rates for lending 9½ per cent. London Deposit Rates for sums at seven days' notice 6 per cent.

Treasury Bills: Average tender rates of discount 8.9826 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9⅝ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-12 months 10¼ per cent. Under £100,000 9½ per cent from September 13. Deposits held under Series 4-5 10 per cent. The rates for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES
(Market closing rates)

Sept. 26	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	9⅝-10	9¾-9⅞	$9\frac{1}{16}$-$9\frac{3}{16}$	$9\frac{7}{16}$-$9\frac{9}{16}$	$9\frac{7}{16}$-$9\frac{9}{16}$	9⅝-9¾
U.S. Dollar	8⅞-9¼	9-9¼	9¼-9½	9¼-9½	9½-9¾	9⅞-10⅛
Can. Dollar	8¾-9¼	8¾-9⅛	9-9⅛	9-9⅛	9¼-9⅝	$9\frac{7}{16}$-$9\frac{11}{16}$
D. Guilder	5¾-6⅞	5¾-5⅞	$5\frac{13}{16}$-$5\frac{15}{16}$	$6\frac{1}{16}$-$6\frac{3}{16}$	$6\frac{1}{16}$-$6\frac{3}{16}$	$6\frac{1}{16}$-$6\frac{3}{16}$
S. Franc	¼-1¾	7-8	[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	8¾-8⅞
Treasury bills (13-week)	8.77
Treasury bills (26-week)	8.80

GERMANY

Lombard	5.5
Overnight rate	5.525
One month	5.65
Three months	5.80
Six months	6.25

FRANCE

Intervention rate	12.25
Overnight rate	12.625
One month	12.4375
Three months	12.4375
Six months	12.5625

JAPAN

Discount rate	5.5
Call (unconditional)	6.65625
Bill discount (3-month)	6.84375

SWITZERLAND

Discount rate	4
Overnight rate	1-2
One month	4⅜-4⅝
Three months	4⅜-4½

NETHERLANDS

Discount rate	5½
Overnight rate	5½-5¾
One month	5¾-5⅞
Three months	6-6⅛
Six months	6⅛-6¼

$ CERTIFICATES OF DEPOSIT

One month	9.25-9.35
Three months	9.25-9.35
Six months	9.40-9.50
One year	9.70-9.90

LONG TERM EURO $

Two years	10⅞-11⅛
Three years	11⅛-11⅜
Four years	11⅛-11⅜
Five years	11⅜-11⅝

SDR LINKED DEPOSITS

One month	$8\frac{13}{16}$-$8\frac{15}{16}$
Three months	$8\frac{15}{16}$-$9\frac{1}{16}$
Six months	9-9⅛
One year	9⅛-9⅜

ECU LINKED DEPOSITS

One month	8¾-9⅛
Three months	$9\frac{1}{16}$-$9\frac{3}{16}$
Six months	$9\frac{7}{16}$-$9\frac{9}{16}$
One year	$9\frac{13}{16}$-$10\frac{1}{16}$

FT LONDON INTERBANK FIXING

(11.00 a.m. SEPTEMBER 26)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 1/2	offer 9 1/2	bid 9 9/16	offer 9 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 26 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.09
Algeria	Dinar	(A) 7.42
Andorra	French Franc	12.055
	Spanish Peseta	227.60
Angola	Kwanza	(CM) 48.684
Antigua	E. Caribbean $	4.06
Greenland	Danish Kroner	14.315
Grenada	E. Caribbean $	4.06
Guadaloupe	Local Franc	12.055
Guam	U.S. $	1.5040
Guatemala	Quetzal	1.5040
Guinea	Syli	36.33
Guinea-Bissau	Peso	52.97
Peru	Sol	(exc)(A) 3,041.39
Philippines	Philippine Peso	15.25
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.2860
Poland	Zloty	146.19
Portugal	Portugu'se Escudo	186.25

CAPITAL MARKETS

Pioneer $100m issue for Britoil

By Mary Ann Sieghart in London

BRITOIL, the oil company formerly owned by the British Government, is raising $100m in the Eurodollar bond market in what is thought to be the first such issue by a company returned to private ownership.

Led by Goldman Sachs, the seven-year bond pays a coupon of 11⅞ per cent at par and the proceeds will be used to repay existing floating-rate debt. The issue had been widely expected in the market since July and was well received, trading at a ½ point discount.

In the other dollar new issue of the day, Sears Roebuck, the U.S. retailer, announced that it was raising $150m through a 10 year bond also led by Goldman Sachs. Dean Witter is co-lead manager in the deal, which has an 11⅞ per cent coupon at par. The bond is non-callable and traded in the pre-market well within its 1½ point selling concession.

Merrill Lynch revealed the pricing on its $500m floating-rate note for Denmark yesterday. The seven-year note has a put option after five years at par and pays 3/16 point over the six-month London interbank offered rate (Libor). The all-in cost to the borrower on a five-year basis is reported by Merrill to be 38.75 basis points (0.3875 per cent) over six-month Libor.

In the pre-market, the bond traded at a discount of around 0.85 per cent – outside its 0.70 per cent selling concession.

Konishiroku Photo industry's $50m convertible, launched at the weekend, was trading around par yesterday. The 15-year bond has an optional redemption after seven years at a price of around 106 and an expected coupon of about 4 per cent. It will be finally priced by Nomura International next Tuesday.

The dollar secondary market opened strongly in the wake of Friday night's better than expected U.S. M1 money-supply figures, but prices traded down again in the afternoon to close about ¼ point up on the day. Turnover was high.

In Switzerland, the Mortgage Bank of Denmark is raising SwFr 80m in an eight-year public issue with an indicated yield of 6¼ per cent. Credit Suisse will price the deal tomorrow.

In both Switzerland and Germany, markets were quiet and prices of seasoned bonds rose by about ⅛ point.

Belgium is raising Y10bn through a "Shibosai" bond – a private placement in Japan by a foreign borrower. The 10-year bond has an 8½ per cent coupon at par

Belgians seek Luxembourg quote for fund

By John Wyles in Brussels

PETERBROECK, Van Campenhout and Co., one of Belgium's leading stockbrokers, is seeking a Luxembourg stock exchange listing for a new investment fund which it is setting up with Nikko Securities of Japan.

Initial commitments from institutions in Belgium, France, Luxembourg, Switzerland and the UK point to a total capital of between $12m and $15m for the fund which will specialise in Japanese securities.

The Fund's management company will be owned by the Belgian brokers and a management contract placed with Nikko International Capital Management of Tokyo. Mr Giorgio Ascari, an Italian expert on Japanese companies, will play a leading role on the management company's board.

According to M Pierre Brion of Peterbroek, Van Campenhout, the fund will seek to exploit investment opportunities offered by Japanese companies which are adapting to changes in the markets for their products, in their investment status or laws and regulations applying to their activities.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for September 26.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¼ 90	100	94½	95	+0½	+2	11.48
Bank of America 8 88 XW	150†*	86	87	+0¼	+0⅛	12.85
Bank of Tokyo Hold 11 90	100	95⅛	95⅝	+0⅝	+1¾	12.03
British Col Hyd 10⅛ 88	200	97	97½	−0⅜	+1⅞	11.02
C.C.C.E. 11¾ 97	100	93½	94	−0⅜	−1¼	12.70
Can Imp Bk Com 11 90	75	91⅞	92⅜	+0¼	+1	12.80
Citicorp O/S 10⅝ 90	100	92¾	93¼	+0⅛	+1⅛	11.93
Coca Cola Int 9⅞ 92	100	93⅞	94⅜	+1⅛	−1½	10.83
Cred Suisse BAH 10½ 90	150†	96⅝	97⅛	+0¼	+2½	11.17
Credit Suisse 10½ 89	100†	99⅛	99⅝	−0⅜	+2½	10.59
Den Norsk Cred 11⅛ 93	50	93⅞	94⅜	−0⅝	+2⅛	12.38
Du Pont 11¼ 95	150	99⅝	100⅛	+0⅝	+1⅝	11.25
E.C.S.C. 11⅞ 90	75	99⅝	100⅛	+0⅛	+0⅞	11.88
E.D.C. 10¾ 88	100	97¾	98¼	+0½	+1¼	11.33
E.D.C. 11¾ 87	100	101⅛	101⅝	+0⅝	+1⅝	11.29
E.D.F. 11⅛ 93	100	93⅛	93⅝	+0½	+1⅞	12.31
E.E.C. 10¾ 95	75†	90¼	90¾	+0⅝	+2⅛	12.31
E.E.C. 11 87	350	99	99½	+0½	+1¼	11.22
E.I.B. 10¾ 93	200	92⅞	93⅜	+0⅝	+1½	11.96
E.I.B. 11 91	125	95¾	96¼	−0½	+1⅞	11.80
Electrolux 10½ 90	50	91⅞	92⅜	+0⅛	−0⅝	12.26
Enserch Fin 11⅝ 93	100	95⅞	96⅜	+0⅜	+1⅞	12.31
Fuji Int Fin 10⅞ 90	100†	93⅜	93⅞	+0⅜	+1½	12.38
Gen Elec Credit 9¾ 91	100	92⅝	93⅛	+0½	+1⅞	11.15
GMAC O/S Fin 10½ 90	200	97⅛	97⅝	+0½	+1⅛	11.07
Honeywell Int 10⅝ 90	100	98⅛	98⅝	+0⅛	+1⅛	11.08
Indust Bk Japan 10⅞ 88	100	98	98½	+0½	+1⅞	11.34
Japan Air Lines 10⅞ 98	42	93¼	93¾	+0⅛	+2⅜	11.81
Japan Air Lines 11 93	75	95⅝	96⅛	+0½	+1½	11.71
J. P. Morgan 11⅜ 90 WW	150	99⅛	99⅝	+0¼	+1⅛	11.50
Levi Strauss Int 11 90	75	97⅜	97⅞	+1⅛	+1⅞	11.50
L.T.C.B. 10¾ 90	100	93⅜	93⅞	+0⅛	+1¾	12.17
L.T.C.B. 12½ 90	85	102	102½	—	—	12.01
Merrill Lynch 10⅝ 90	200	96¾	97¼	+0⅝	+2⅛	11.26
Midland Int Fin 11½ 92	150	97⅝	98⅛	+0⅜	+1½	11.87
Mitsubishi Corp 10½ 90	100	94¼	94¾	+0¼	+1¾	11.71
Mitsubishi Fin 11⅜ 90	100	95½	96	+0½	+1⅝	12.31
Nippon Credit 11 90	100	94¾	95¼	+0⅝	+2⅜	12.11
O.K.B. 10 91	100	90⅜	90⅞	+0⅜	+1½	11.92
Ontario Hydro 10¼ 90	250	93⅜	93⅞	+0¼	+1	11.65
Ontario Hydro 11¼ 89	200	100	100½	−0⅜	+1¾	11.17
Ontario Hydro 12¾ 92	200	104⅛	104⅝	+0⅝	+1⅝	11.93
Prudential O/S 10⅝ 93	100	95⅞	96⅜	+0⅜	+1¼	11.28
Prudential O/S 12¾ 87	150	104⅝	105⅛	+0⅛	+1	11.16
Saskatchewan Pr 10¾ 90	125	95½	96	+0⅜	+1½	11.69
S.N.C.F. 11½ 93	100	96½	97	+0⅜	+2⅛	12.06
Sth Cal Edison 10½ 90	75	96⅝	97⅛	+0½	+1¾	11.16
Sumitomo Fin 10⅞ 90	100	93¾	94¼	+0⅜	+2	12.21
Swiss Bk Corp 10¼ 90	250†	98	98½	+1	+2	10.62
Texaco Capital 9¾ 90	150	94⅞	95⅜	+1⅜	+1⅞	10.81
U.B.S. 10 88	100	97	97½	−0½	−1⅛	10.75
U.B.S. 11 89	150	101⅜	101⅞	+0½	+1¾	10.61
Westpac Int Fin 11 90	100†*	93	94	0	+1	12.46
World Bank 10⅞ 88	150	96⅞	97⅜	+0¼	+1⅛	11.18
World Bank 10⅞ 93	100	94⅞	95⅜	+0⅝	+1½	11.72
World Bank 11¼ 88	100	99⅛	99⅝	+0½	+0⅜	11.48
World Bank 11½ 90	150	98½	99	+0½	+1¼	11.76

Av. price changes: on day −½, on week +1½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7⅞ 93	100	98⅛	98⅞	+0¼	+0⅝	7.59
A.N.A.S. 8¼ 88	100	99	99½	0	0	8.43
Austria, Rep 7⅝ 89	100	98⅜	98⅞	0	+0¼	7.92
Austria, Rep 8 93	100	99⅝	100⅛	+0⅛	+0⅛	8.01
Avon Int Fin 7½ 93	100	98½	99	+0¼	+1⅛	7.68
B.F.C.E. 8⅛ 90	150	98⅞	99⅜	+0¼	+0½	8.41
Comp Tel Nac Esp 8¼ 93	100	94½	95¼	0	0	9.05
Deutsche Bank 3¾ 91 WW	240	106⅝	107⅜	+0½	+1⅜	2.72
Deutsche Bank 3¾ 91 XW	240	80¼	81	+0¼	+0⅜	7.12
Dresdner Finance 4 90 WW	250	108⅝	109⅜	−0¼	+0⅛	2.53
Dresdner Finance 4 90 XW	250	83	83½	0	0	7.21
E.C.S.C. 8 90	100	100	100½	0	+0⅛	7.94
E.E.C. 8¼ 93	250	100⅛	100⅝	+0⅛	0	8.18
Eurofima 7½ 90	100	98¼	98¾	−0⅛	+0⅛	7.78
Finland Rep 7½ 88	150	98⅝	99⅛	0	0	7.78
Int-Am Dev Bk 7¾ 93	200	95¼	95¾	+0⅛	+0¼	8.44
Int Standard Ele 7¾ 93	100	98⅝	99⅛	0	+0½	7.91
Japan Dev Bank 7½ 90	100	99	99½	0	+0⅛	7.64
Kobe City 7 93	120	95	95½	0	+0¼	7.71
L.T.C.B. 8 90	100	100⅞	101⅜	+0¾	+1½	7.77
Renault Acceptance 8 90	150	97⅜	97⅞	+0⅛	+0⅜	8.47
S.D.R. France 7⅞ 93	100	96½	97	0	+0⅜	8.37
Sth African Tran 8¼ 90	100	98¾	99¼	0	0	8.44
Volkswagen Int 7¼ 93	200	96	96½	+0⅜	+1	7.82
World Bank 7½ 90	250	96½	97	+0⅛	+0⅜	8.14
World Bank 7½ 93	300	95⅜	95⅞	+0¼	+0⅜	8.17

Av. price changes: on day +⅛, on week +⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AKZO 5⅝ 93	100	98½	98¾	−0½	−0½	5.81
Bank of Tokyo 6 91	100	101¼	101½	−0¼	−0¼	5.78
Bergen, City of 5¾ 95	40	99¾	100	−0⅛	+1	5.76
Carls-Tuborg Brw 5¾ 93	60	101¾	102¼	0	+0⅛	5.47
Denmark 6⅛ 91	100	103	103¼	+0¾	+0¾	5.86
E.D.C. 5⅝ 91	100	99½	99¾	+0⅛	+1	5.43
E.I.B. 5¾ 93	100	98½	98¾	+0½	+0⅜	5.94
Ex-Im Bk Japan 5⅝ 91	100	98½	98¾	+0⅛	+0½	5.85
Ind Fund Finland 6¼ 91	40	100⅝	101⅛	+0⅛	+0⅜	6.08
Int-Am Dev Bk 6⅛ 93	100	101⅛	101⅜	−0⅛	−0⅛	5.95
Japan Dev Bank 5½ 93	100	98	98¼	−0¼	+0⅝	5.75
Japan Dev Bank 5⅞ 93	100	99⅛	99⅝	—	—	5.96
Kansai Elec Power 6 91	100	102¼	102½	−0¼	+0¼	5.61
Kawasaki Steel 6⅛ 91	100	101	101¼	−0¼	−0⅛	5.94
Montreal Urban 5¾ 93	100	101⅝	101⅞	+0⅛	+1¼	5.51
Mount Isa Finance 6 93	100	102⅞	103⅛	−0⅛	+0⅜	5.58
Nisshin Steel 6¼ 91	100	99¾	100	0	+0¼	6.27
Osterr Draukraft 6 93	100	102	102¼	0	0	5.71
Osterr Post 6⅛ 91	100	102¼	102½	0	0	5.73
Quebec Hydro 5½ 93	100	100½	100¾	0	0	5.41
Sekisui House 6 93	100	100½	100¾	−0½	−0½	5.91
Sumitomo Heavy Ind 6 91	100	99	99¼	—	—	6.14
Sumitomo Metal Ind 6 91	100	101	101¼	0	0	5.81
Tokyo Elec Power 5⅞ 91	100	99¾	100	—	—	5.89
Trizec Corp 6¼ 91	100	101¼	101½	−0¼	−0⅛	6.01
World Bank 5⅝ 93	100	97½	97¾	+0¼	0	5.95

Av. price changes: on day −⅛, on week +¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	104	104¾	0	0	7.93
E.I.B. 8⅛ 92	15	102⅛	102⅝	+0⅛	+0⅛	7.85
Japan Airlines 7⅞ 87	37	101¾	102¼	−0⅛	0	7.17
New Zealand 7⅞ 89	15	101⅞	102⅜	−0⅛	0	7.17
World Bank 8⅛ 92	20	103	103½	−0½	+0¼	7.82

Av. price changes on day −⅛, on week +⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can Pac Secs 11¾ 90 CS	75†	87½	88	0	−0⅛	12.38
Charb France 11⅞ 85 CS	40†	93	93½	0	−0⅛	13.00
Farm Credit 12¼ 90 CS	75†	97⅜	98⅜	0	+1⅛	12.67
Noscan 12⅜ 93 CS	80†	96¼	96¾	+0¼	+1	13.39
TD NTG Corp 12½ 88 CS	40†	99½	100	0	+0½	12.58
Quebec Province 12 83 CS	80†	98⅝	99⅛	+0⅛	+0⅜	12.76
Xerox Canada 12 88 CS	40†	101½	102	+0½	+1⅜	11.50
Formarks 11⅝ 88 ECU	40	102½	103⅜	0	+0¼	10.99
Svenska 11⅛ 91 ECU	40	98½	99¼	0	−0¼	11.45
Algemene Bank 8¾ 88 Fl	150	100⅛	100⅝	+0¼	+0½	8.84
Bank Mees & Hope 9 88 Fl	75	101	101½	−0⅛	+0½	8.68
Elect Supply 8¾ 88 Fl	75	96½	97	−0⅛	+0⅛	8.62
P.H.P. 10¼ 88 Fl	50	99⅝	100⅛	0	+0¼	8.77
Swed Exp Cred 7¾ 88 Fl	100	95¾	96¼	−0⅜	+0½	8.98
World Bank 9 88 Fl	100	101⅝	101⅞	0	+0⅜	8.50
O.K.B. 14 88 FF	400	100⅝	101⅛	−0⅛	−0¼	13.31
Solvay & Cie 14⅝ 88 FF	200	101⅞	102⅜	0	0	13.44
B.F.C.E. 11½ 88 £	50	98	98⅝	+0⅝	+0⅞	11.93
British Oxyg 11¾ 91 £	50	100⅝	101⅛	−0⅛	−0⅛	11.57
CEPME 11¼ 95 £	35†	98	99	−0¼	0	11.47
E.E.C. 11⅞ 91 £	50	99⅝	100⅛	+0⅛	0	11.84
Fin For Ind 10½ 90 £	20	94⅞	95½	+0⅛	−0⅛	11.65
Fin For Ind 12¼ 88 £	30	103⅝	104⅛	+0⅛	+0⅜	11.20
Finland Rep 11⅞ 88 £	50	98¾	99½	—	—	12.11
Fin Mat Oranj 12⅝ 92 £	30	102⅛	102⅞	+0⅛	+0⅛	12.14
Gen Elec Co 12½ 89 £	50	102¾	104	+0¼	+0½	11.58
Mort Bk Fin 11⅞ 88 £	15	96½	97½	0	+0⅛	12.46
Norsk Hydro 12 90 £	30	102⅝	103⅛	0	+0½	11.34
S.N.C.F. 11½ 88 £	30	96½	97½	+0⅛	+0⅛	12.21
Sweden 11⅛ 93 £	50	95½	96¼	+0½	+1½	11.97
Swed Exp Cred 11¼ 88 £	30	97⅛	97⅞	0	+0⅜	11.94
World Bank 11⅛ 88 £	100	97⅞	98⅝	0	+0⅜	11.90
World Bank 11⅜ 91 £	75	99⅝	100½	+0¼	+0⅜	11.32
Euratom 11 93 LuxFr	500	103⅞	104⅞	+0½	+1	10.36
Europarat 10¾ 93 LuxFr	600	103	104	−0⅜	+0½	10.14

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
B.F.C.E. 5¼ 87	0¼	99¾	100	27/1	10¾	10.89
B.F.C.E. 5⅛ 88	0⅛	99½	99¾	28/1	10.18	10.21
Caisse Nat Tele 5⅛ 90	0⅛	99¼	99½	21/10	9.56	9.67
C.C.F. 5¼ 95	0⅛	99¼	99½	7/10	10.19	10.25
C.C.F. 5⅛ 98	0⅛	99¾	100	24/9	9.94	9.95
Cepme 5⅛ 88 WW	0⅛	99½	100	3/12	10.56	10.59
Cepme 5¼ 92	0¼	99⅝	99⅞	10/12	10½	10.53
Chemical NY 5¼ 94 ††	0⅛	100⅜	100⅝	23/9	10.82	10.74
C.N.C.A. 5¼ 95 XW	0¼	99¼	99½	7/12	10	10.06
C.N.T. 5¼ 91	0⅛	99	99¼	6/11	9¼	9.33
Credit Agricole 5⅛ 97	0¼	99⅞	99⅝	24/10	10	10.05
Credit Lyonnais 5⅛ 94	0⅛	99⅜	99⅝	5/1	10.31	10.38
Credit Lyonnais 5¼ 97	0¼	99⅜	99⅝	1/10	10.06	10.11
Credit Nat 5¼ 94	0⅛	99¼	99½	9/3	10¾	10.82
E.D.F. 5⅛ 95 XW	0⅛	99¾	100	10/2	11⅜	11.38
E.E.C. 5 90	0⅛	100	100¼	5/1	10.19	10.17
Kansallis Osake 5⅛ 92	0¼	100⅜	100⅝	9/11	9⅛	9.08
Long Term Cred 5¼ 92	0⅛	100	100¼	27/11	9⅞	9.74
J.P. Morgan 5⅛ 97 S	0⅛	101	101¼	12/11	10.81	10.69
New Zealand 5⅛ 87	0⅛	100⅛	100⅜	7/10	10.88	10.83
NZ Steel Dev 5⅛ 92	0¼	100⅛	100⅜	22/12	10¼	10.21
Nippon Credit 5¼ 90	0⅛	100⅛	100⅜	10/2	11¼	11.17
Soc Generale 5¼ 90 XW	0⅛	99⅛	99⅜	5/11	9⅛	9.19
Société Générale 5¼ 95	0⅛	99½	99¾	1/3	10.31	10.35
Sweden 5¼ 89	0⅛	100½	100¾	26/2	10.19	10.16
Sweden 5¼ 93	0¼	100½	100¾	3/2	11.19	11.12

Av. price changes: on day 0, on week +⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	470	104⅞	105⅞	+0¼	4.89
Canon 7 97	7/82	748.2	229½	231	+1⅜	16.20
Daiwa Sec Co 5½ 98	10/83	508	97⅜	98⅝	0	−0.13
Hitachi Cable 5¼ 98	2/82	515	100	100½	+1¼	5.25
Honda Motor 5¼ 98	6/83	884	102⅝	103⅝	+1⅜	2.82
Honda Motor 5½ 97	3/83	769.6	117⅛	118⅛	+0¾	0.82
Komagai Gumi 6½ 97	10/82	400	122	123½	+0¾	−2.00
Kyowa Hakko 6¼ 97	2/83	782	117½	119	+0½	13.15
Minebea Co Ltd. 5½ 98	5/83	867	131¾	132¾	+4	2.98
Mitsubishi Electric 5¼ 98	6/83	396	112¼	113¼	+2½	6.73
Nippon Electric 5¼ 97	2/82	765.9	187⅞	189⅜	+4⅜	0.47
Nippon Oil Co 5½ 98	4/83	964	116⅝	117⅝	+4⅛	10.94
Nissan Motor 5¾ 98	4/83	770	91¾	92¾	+2¼	8.54
Olympus Optical 6¾ 97	12/82	1331	186½	188	+3⅜	8.47
Orient Finance 5¼ 97	3/82	927.2	96⅜	97⅛	+7⅜	19.35
Orient Leasing 5¼ 98	6/83	2680	96	97	+0⅛	−4.74
Secom 5 98	11/83	2920	122⅜	123⅞	−0¼	2.27
Sumitomo Electric 5½ 97	3/82	577.3	113⅜	114⅛	+0½	3.47
Sumitomo Metal 5¼ 96	10/81	296.1	76¼	77¾	−0½	42.90
Yamaichi Sec Co 5 98	8/83	472	94⅜	95⅜	+0⅜	1.42
NEC Corp 3½ 93 SF	6/83	878	152½	154½	+4	00.00
Sanyo Electric 3½ 93 SF	5/83	581	105¼	107¼	+0⅜	10.82
Konishiroku 6¾ 88 DM	6/82	516	119	120	+0⅛	2.43
Mitsubishi Heavy 6 89 DM	2/82	263	114⅜	116⅛	+3⅛	4.89
Sun Realty 6¼ 92 DM	2/83	365	117¾	118⅝	0	−2.72

* No information available—previous day's price.
† Only one market maker supplied a price.

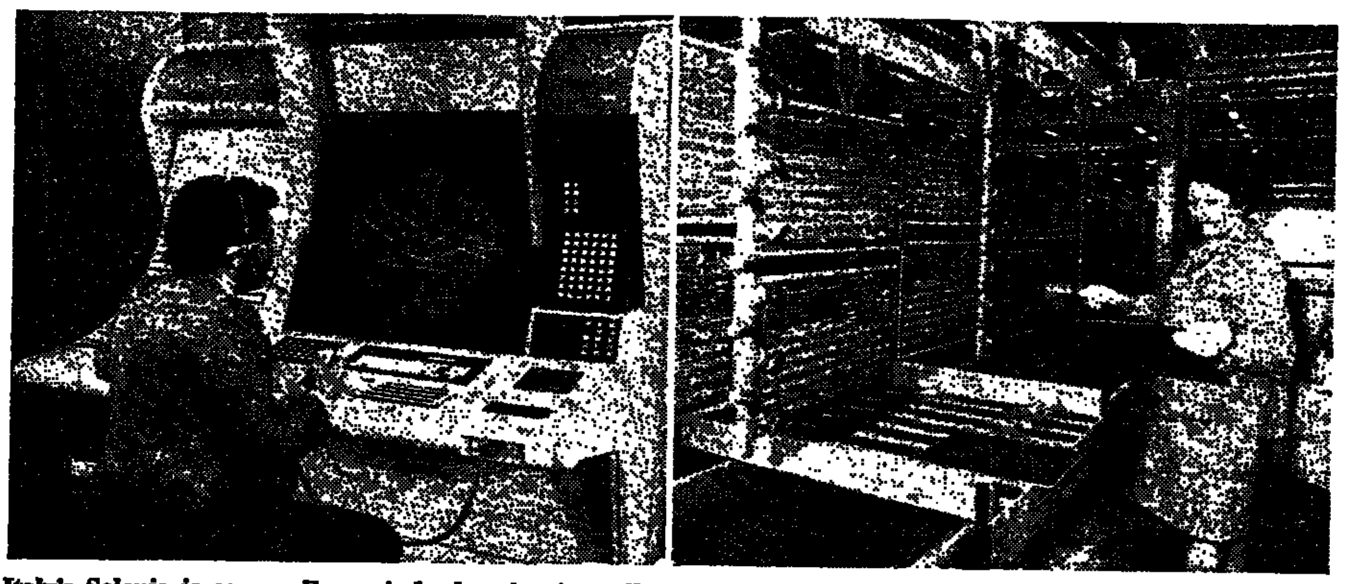
Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cn. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SECTION IV

FINANCIAL TIMES SURVEY



Italy's Selenia is among Europe's leaders in air traffic control systems (above left). Italtel (right) is hoping to close the gap with the world giants in telecommunications equipment through an agreement with GTE of the U.S. to build a new type of digital exchange

Italian Engineering

Highly successful in parts, the sector as a whole still faces pressure. Industrial production is falling, the country is dangerously weak in high technology and the inadequacies of the state bureaucracy are helping neither trend. There are, however, grounds for optimism, particularly on the labour front.

"THIS COUNTRY, Italy, is the engineering granary of Europe." The words were spoken long ago, on the morrow of the Second World War, by Vittorio Valletta, chairman between 1946 and 1966 of Fiat, Italy's largest industrial enterprise in private hands.

Valletta, whose sternness and singlemindedness won him both enemies and friends, was more than any other responsible for the emergence of Fiat from the wreckage of war to become the symbol of the booming Italy of the "economic miracle" of the 1950s and 1960s. Times of course have hugely changed and his remarks, to a Parliamentary commission examining the prospects of industrial reconstruction in 1946, have an odd ring now as Italy struggles to break free of the recession which for three years has gripped its, and most of the world's economy.

Valletta drew his optimism from the then cheapness of local labour costs, the inventiveness of the Italian people and from the fact that—however aggressive the unions might sound in those days of the Cold War and deep ideological divisions—in the last analysis, they could always be cowed by the economic facts of life.

BY RUPERT CORNWELL

In the event his very success at Fiat did much to promote the emancipation of the unions from the late 1960s onwards, and the consequent rise of Italian labour costs to among the highest in Europe. This development in turn spurred what might be termed "industry's revenge," which has gathered force since the failure of the historic strike at Fiat in the autumn of 1980.

Even so signs of renewed richness in the granary are in many respects hard to discern today. In April industrial production dropped 14 per cent from 12 months earlier, the heaviest such decline in eight years. Unemployment stands officially at over 2m; by some calculations the figure would be half as much again, were the concealed unemployment represented by the system of state subsidised lay off, or *cassa integrazione*, taken into account.

The losses of state industry have touched new peaks; the Italian public steel industry is in crisis without precedent, as it reaps the fruit of years of refusal to face self-evident truth. What hopes of recovery exist, are compromised by continuing high interest rates, themselves reflecting the failure of a succession of weak coalition governments to tackle the huge, and remorselessly increasing, public sector borrowing requirement, and the inflation it has largely been responsible for generating.

And yet in 1983, the optimism of Valletta is not entirely unfounded. There is of course the recovery of his own Fiat and much of Italy's big private sector industry; and there are success stories and bright prospects in places of which he would probably scarcely have dreamed. The outcome of the five week strike at Fiat in September and October of three years ago has sent out its ripples into the furthest corners of the national economy.

As so often, Italian industry, like other facets of the country, is hard to read. On the one hand there is the gloomy scene depicted above, and nowhere more so than in the public sector. True, some of the engineering businesses controlled by the three state-run conglomerates—IRI, ENI and EFIM—thrive; Italimpianti, Saipem, Snamprogetti and (with reservations) the aerospace activities of IRI and EFIM. Even the telecommunications sector of IRI, long burdened by debts and deficits, seems to be turning the corner, thanks in no small measure to more realistic pricing policies.

The fact remains, however, that last year the three corporations, which employ almost 700,000 people, registered a combined loss of almost L4,800bn ($3.2bn)—thanks to the poor performances of their activities in cars (Alfa Romeo), shipbuilding, chemicals and synthetic textiles, and, above all, steel. Finsider, the steel arm of IRI which is at the eye of the storm over the Brussels Commission's demands for huge capacity cutbacks in Italy, lost L1,436bn ($956m) in 1982, and worse still is on the cards for 1983.

Plans for restructuring public industry come and go; and Sig Gianni de Michelis, the Minister for State Shareholdings through much of the last Parliament, has talked a vigorous campaign to this end. But Italy's social and political realities have meant that thus far the battle has been unavailing. And steel, with the loss of 20,000 jobs or more implicit in the Brussels blueprint, will be a sterner test than any.

And yet, there is much ground for encouragement. The collapse of the 1980 strike allowed Fiat to effectively make 23,000 workers redundant, and achieve rises in productivity of 20 per cent or more, bringing the group back in line with its main European car industry competitors. Before Fiat, Olivetti under its dynamic chief executive Carlo de Benedetti, had already revitalised itself. Pirelli has pushed through a successful re-organisation; while even Montedison, the chemical group and the fourth member of the small number of genuinely multinational Italian concerns in private hands, sounds more cheerful than for some while—despite a record 1982 loss of close on L800bn ($530m).

Such large enterprises however, while greatly influencing the system, are the exception rather than the rule. The 1981 national census discovered, to no-one's great surprise, that the average size of the country's 950,034 classified productive units was a mere 7.4 workers apiece. Confirmation, were any needed, of how small and medium sized industry is the backbone of Italy's economy.

As if to mirror this truth, the industrialised part of the country has now spread out of the old "triangle" of Lombardy, Piedmont and Liguria in the North-West, to embrace the Veneto region to the east, and Emilia Romagna, Tuscany, to the south as well. Industrialisation moreover has promisingly reached down the Adriatic seaboard as far as Bari and beyond.

Sometimes the structure takes the form of the one-industry town: Sassuolo, near Modena, which specialises in ceramics, Valenza Po, east of Turin (jewellery) and Solofra, inland from Naples (leather) and tanning, are but three of a myriad examples. It is a structure which combines the Italian love of the little unit with the potential for economies of scale, given the geographical clustering of similar small companies.

Then there are the productive units "unclassified" in the census—the famous Italian "submerged" economy. How big it is—10, 20, or even 30 per cent of the national economy—no-one is sure. By its nature it is unquantifiable, even if tangible enough to spur frequently industrial competitors of Italy (notably France) to complain that Italian exporters benefit from unfair advantages inherent in the submerged or "black" economy, such as extra-low labour costs and the virtual absence of trade unions, allowing workers to be exploited.

In fact, however, the gap between big and small, and official and unofficial, has narrowed in recent years. In 1979 and 1980, the former epitomised what was worst about Italian industry, the latter what was best. Now, however, as big companies have been forced to make themselves more efficient, the smaller ones have been hit in turn by the recession, and the consequences of their very success.

In the meantime the renegotiation last January of the 1975 "scala mobile" agreement on wage indexation, and long delays in settling new three year wage contracts for key categories of workers (above all Italy's 1.5m metal and engineering workers) have applied some brake to the constant growth in labour costs, and unit production costs for big industry.

But however ambiguous the picture may seem, there are some points about Italian industry on which everyone agrees.

The first is that the country remains dangerously weak in the high technology field. Despite the enduring success of Italian exports of traditional products like clothes, shoes and designed goods, and of more advanced products like cars and machine tools, Italy has little choice but to venture much further into the highly specialised, value added sector which offers the best rewards for advanced, high-cost countries like itself.

The huge amount of resources consumed to no point by the steel industry, now vulnerable to competition from the Third World as well as the permanent decline in the appeal of steel as a raw manufacturing material, illustrates the waste that attachment to the old can cause.

High technology industry, and the research and development activity on which it depends, are in turn a prime victim of that other notorious failing of Italy; the inadequacies of its governments and the bureaucracy of the state. If the private financial sector may be criticised for its lack of flair, and readiness to take a risk on a promising new scientific venture, then the state and its appendages have signally failed in their job of encouraging research and innovation.

True, a L1,500bn fund was approved earlier this year for such purposes; but thus far not a lira has been actually disbursed, at least not to Fiat, one of the prime intended beneficiaries. The results may be seen in recent OECD figures which show that between 1978 and 1980 Italy was the only major industrial nation to run a deficit (of $2.5bn over the three year period) in its trade of "technologically advanced" products.

Thus far the country has managed to square the circle by a steady depreciation of the value of the lira, ensuring that the currency competitivity of its exporters has remained more or less intact. The rest, by government default, is left to the flexibility and resourcefulness of the people, and the interplay of forces among them.

Today, the tide is still moving back to management from the unions; but as for that "engineering granary" talked about by Valletta, it remains, like the proverbial glass of water, either half full or half empty, depending on your point of view.

CONTENTS

Flexible system based on small units

ORGANISATION

JAMES BUXTON

"Other countries' diesels may often be just as good, but they don't have the special entrée that we have," says Giuliano Ruggerini, who runs Ruggerini, the medium-sized Italian manufacturer of high speed diesels.

Ruggerini is based outside Reggio nell'Emilia, on the southern side of the Po valley. What Signor Ruggerini means is that it is easier to sell his diesels because Reggio is not only the centre of the Italian agricultural machinery industry—a big user of diesels—but also the base for a big network of engineering companies of different sizes. Other things being equal, they will buy his diesels, rather than foreign ones.

Not only has Ruggerini got a ready market for its diesels on the small tractors and motorised farm implements of Goldoni, the main Italian company in this sector which is at Reggio. It also relies on another feature of the Reggio area—the mass of small, even microscopic engineering companies which supply its components.

Ruggerini, which had a turnover in 1981 of L27bn, employs about 350 people. But it is also the principal employer of a further 600 "external workers." These may consist of a small subcontractor employing about 20 people, down to a man and his son working at home. Ruggerini subcontracts to them the manufacture of a good part of its components, including sophisticated and high-stress items.

Many of the "external workers" are former employees of Ruggerini, who decided to set up on their own, borrowing machines from the company to do so. Others lease machines or buy their own. There are all kinds of relationships between the external workers and the main company, testifying to the diversity and imagination of the people and firms involved, and the external workers are not bound to work only for Ruggerini.

Reggio nell'Emilia and its complex of engineering concerns is a good example of how the Italian engineering industry is organised. There is no single big company in the area, only the Reggiane engineering works, Lombardini, Ruggerini's larger rival in the diesel field, and a few other companies. There might not seem to be much difference between Reggio and a town in the West Midlands of Britain.

But one difference is the greater cohesion that seems to exist between the different firms. Another is the greater degree to which the smaller subcontractors disappear into the "submerged" economy — that area where labour costs are lower (because social security and pension contributions are avoided) and taxes can often be evaded.

Though the great companies like Fiat and Ansaldo are Italy's best known industrial concerns, the typical form industry takes in Italy is increasingly the small firm; little concerns which have sprung up all over the country in the past two decades, to accommodate the drift of post-war population from the countryside to the cities. The engineering companies are at the more sophisticated end of this process.

Protective

The growth of small engineering units got a second boost at the end of the 1960s and the beginning of the 1970s when the highly protective labour and social security legislation which followed the "hot autumn" of 1968 made many companies decide to split themselves into smaller units, and farm out more of their work to subcontractors and "external workers." The submerged economy is one of the factors that helped Italy remain competitive in export markets despite having some of the highest labour costs in Europe.

The submerged economy makes use of the fact that a family unit, whether running a trattoria or a lathe, is not obliged to pay social security contributions for its workers. Small units are more obviously manageable than big ones, and families who have recently turned into industrial entrepreneurs from being peasant farmers are no strangers to hard work and long hours.

Hugh Routledge

Agricultural engines on the assembly line at Lombardini's factory in Reggio nell'Emilia. Although no longer small, the company relies on many small firms which supply it with basic parts by exclusive contract

Dr Romano Prodi, the economist who is now chairman of IRI, Italy's vast industrial holding company, has invented a term to describe the system in Reggio and other northern Italian towns. He calls it "economy of scale at the level of the system rather than of the individual unit." Few of the companies in a place like Reggio can do everything under their own roof; they draw on specialist companies for whom certain jobs are more economic than for the big ones. The system works because everyone involved knows what everyone else is capable of.

Another example of this system is at Lumezzane, just outside Brescia in Lombardy, where about 1,100 industrial concerns employing 9,000 people make more than 600 separate products—mostly in the field of plumbing equipment, taps and siphons. There, as elsewhere, the slightly larger firms employ men who are also running their own workshops, in their spare time, often putting their families to work.

The result of the 1981 census of Italian businesses seems to bear out the trend: it showed that though the number of Italian engineering companies had grown by 45 per cent to 180,000 since 1971, the number of their employees had grown by only 25 per cent. The average number of employees per company fell from 14.2 to 12.2, and 82 per cent of all engineering companies employed less than 10 people.

One of the strengths of this subdivision of the engineering industry is that production can be stepped up or run down very quickly, a considerable advantage over European competitors who have a more viscous labour base. It also means that capital requirements can be spread over a larger number of units, though the role of the banks in providing funds is crucial. Fortunately, Italy has several specialised medium and long-term credit institutions which often give subsidised loans.

On the other hand the small units suffer when there is a downturn, and there is no other official safety net for them. Signor Ruggerini says that a 15 per cent cut in production at the diesel factory can mean a 50 per cent contraction for the external workers, since a higher proportion of the work then gets done in the factory, instead of outside it.

The decentralisation and fragmentation of the Italian engineering industry does not just apply to places like Reggio or Lumezzane. Giants like Fiat rely heavily on capillaries of medium and small suppliers, both in car production and the other sectors, such as tractors and industrial vehicles. But a major change is taking place in the way Fiat Auto, the car maker, buys its components, and this could herald significant changes for the rest of Italian engineering.

Until recently Fiat Auto was dealing directly with about 5,000 separate suppliers. Components trickled into the factory, and a lot of pre-assembly work had to be done in the factory, which did nothing to help labour costs or keep the workforce content. Because many of the little suppliers were specialists they were often able to drive hard bargains with Fiat over price.

Pre-assembly

But last spring Fiat Auto called a halt. It decided to copy the Japanese system, where car companies deal with a small number of principal suppliers who may obtain components from other firms, but who do a considerable amount of pre-assembly work. Fiat's aim is to cut the number of suppliers with whom it deals directly to about 1,000, and the company is insisting on lower prices (by threatening if necessary to take its business to suppliers outside Italy altogether) and more pre-assembly work.

The "Japanisation" programme means that Borletti, which makes instruments, is now providing Fiat with complete dashboards for the Fiat Uno car instead of handing over individual instruments for Fiat to assemble itself. More and more companies are reaching agreements with Fiat to conform with the new policy, and though it is said in the Turin area, which is particularly affected by the move, that unemployment and lay-offs have only been exacerbated, Fiat argues that the policy simply means the transfer of some work from inside Fiat's plants to outside.

Search for private capital intensifies

FINANCE

RUPERT CORNWELL

IF THERE are two things that Italian industrialists never tire of complaining about they are the difficulty of obtaining finance—and, when they can get it the cost.

They will tell you about the shortcomings of the stockmarket as a source of risk capital, the tight credit difficulty of prising promised—even properly voted—funds loose from an inefficient state.

They will then, in all likelihood, move on to some robust criticism of the country's banking system: of its conservatism, its sloth and its insensitivity to the requirements of industry.

Like much of the complaining within, and about, Italy, it tends to be overdone. But few would deny that it contains much truth. Italy's stockmarket is inadequate for a country of its size and industrial advancement. High interest rates, and the consequent astronomical cost of servicing debt have brought many larger—and not a few smaller—companies to their knees, at a time when their actual productive operations are profitable.

And the Government, for all the thousands of billions of lire which feature in the plans drawn up for industry, invariably pays late—and not infrequently not at all.

Under-capitalisation is a problem at the root of the financial difficulties of industry. It has occurred for two reasons. The first is the longstanding inability of the Bourse to generate risk capital (although that has been changing somewhat recently: the net issue of new shares rose from L3,085bn in 1980 to L7,186bn in 1981 and L6,004bn in 1982). The second is the reluctance of often family-owned companies to go public, and thus see a dilution, if not outright loss, of control of their destiny.

Inevitably, this void has been filled by heavy reliance on mainly short-term borrowing from the commercial banks. Up to a point it is a system which has worked adequately; the richest tissue of Italian industry is its medium and small-sized companies of strong local loyalty and flavour; the highly fragmented and localised structure of the Italian banking system has naturally meshed closely in with such industry.

It is an explanation, among others, for the apparent paradox of industry's managing to sustain a very high investment rate (at least until the recession began to bite in 1981) upon so weak a capital base.

Nor are the banks, in some respects, perhaps, quite as inefficient as their detractors would claim. Dr Carlo Ciampi, the Governor of the Bank of Italy, observed in May that the margins of Italian commercial banks were roughly in the middle of the international range.

The commercial banks are supplemented by a group of special credits institutes, which by contrast concentrate on medium and longer-term lending. Their domestic loans rose to L14,689bn in 1982, compared to L8,424bn two years earlier.

Here, however, funds are frequently provided by the cumbersome method known as "double intermediation." Funds raised through bond issues by a special credit institute then frequently find placement in the portfolios of ordinary banks. This the ordinary bank lend, the depositor's money to the special institutes, which then in turn pass the money on the final borrower.

These special institutes are mostly directly or indirectly publicly owned: although the best-known of them all, Mediobanca, operates with the stylish secrecy of the British merchant banks, which in some ways it closely resembles. And indeed, "merchant bank" is the most fashionable phrase to be heard today, among those seeking more streamlined and flexible means of bringing new private capital to its most suitable user, the industrial and commercial enterprise.

Awareness of the problem has been growing for some while in Italy. The state's ever-greater indebtedness has reduced its scope for action, while both a deeply engrained mentality and history militate against the banks putting up more risk capital. After all, the banking laws of 1936, which so sharply divide the functions of the deposit-taking bank and the merchant bank, closely involved in investment in industry, spring directly from the crash of the 1930s, when the two processes became fatally intermingled.

Separate roles

But the mood is changing, though perhaps not to the extent of countenancing a change in the law itself. Instead new, sometimes circuitous, means are being examined of getting round the difficulties of the separate roles, and enlarging the role of the stock market. One was the belated introduction of unit trusts; another is the growing move towards allowing private, and thus, it is argued, more entrepreneurial minority stakes in some of the biggest state-owned banks.

A third straw in the wind was a recent conference promoted by Olivetti on the system of "Venture capital" now operating in the U.S.—that means of raising private finance to back a company in the crucial phase between its launch and its achievement of a full stock market listing.

Obviously, conservative Italian and risk-taking American finance are not the same; nor are Wall Street and the Milan Bourse. But the system has worked well for Olivetti in the U.S.; and Italy's proliferation of small companies, sometimes reaching from a family base towards fields of high technology, in theory would offer a promising terrain for such initiatives.

But that is for the future. A more immediate prospect is the device of the "merchant bank," openly advocated by Dr Ciampi, in May. The merchant bank, in its Italian version, would be a special division of a much larger credit institute, which would broadly shepherd a company to market. By offering a sophisticated range of financial and other consultative services and expertise, it would meet the needs above all of the smaller company, unable on its own to afford such essential luxuries.

The device indeed is already in practice: Mediocredito Centrale, one of the most important special credit institutes, has been operating for a year on a specialised merchant banking subsidiary, called Societa Finanziaria di Partecopazioni (SOFIP).

Its aim is to take temporary minority holdings (perhaps between two and four years on average) in small and medium sized companies, but without getting directly involved in their day-to-day management. The investment would be made according to strict criteria of credit worthiness, and on a case-by-case basis. At the end of the period the little company would have grown to stand on its own two feet, or even to float off part of its capital to the public.

Reorganisation

For once, moreover the Government has been setting something of an example. REL, the new state-owned financial company established to supervise the re-organisation of Italy's troubled consumer electronics industry, is nothing if not one of these new creatures. It has already taken under its wing more than a dozen small electronics manufacturers, with the commitment to sell any minority shareholdings within five years. At that point its protegees must swim, or sink.

Whether even REL proves a case of too little, too late, will be seen in due course. But it could offer a more promising avenue for state intervention and support for industry than the previous array of legislation on offer. This broadly consists of three laws, of which the best known is Law 675 of 1977, aimed at helping industrial reconversion and restructuring. The principal problem has been that money allocated is not paid out.

Somewhat more productive has been law 787 of 1978, sponsoring the formation of banking consortia to help out companies in temporary financial difficulties. The trouble has been the definition of "temporary." Where the difficulties have indeed been merely passing ones, as in the case of Pirelli and Snia Viscosa, the scheme has worked well. Where it has been attempted in cases of companies beyond salvation, such as the SIR and Liquichemica chemical groups, it has failed.

Last but not least, is the potential contained in the law passed in 1982, instigating a fund for technological innovation, worth L1,500bn. Not only does the measure tackle a major weakness of Italian industry, its lack of research and development spending, but it provides for evaluation of projects by a specialist team of officials at the Industry Ministry, without cumbersome approval beforehand by the banks. Fiat in Turin should be one of the first beneficiaries of this new law. True to form however, it has not yet received a single lira.

Opec spending cuts hitting hard

CONSTRUCTION

JAMES BUXTON

A NATIONAL construction industry is rather like a national football team: it may have won the World Cup last year, but unless it continues to win, its past record is of little value. Just as the Italian football team has now fallen on difficult days after winning the World Cup in 1982, so the Italian construction industry is depressed—and finding little comfort in its distinguished past.

The Italian construction industry did very well overseas in the mid-1970s, with the boom in Opec countries and in other parts of the developing world. The peak was reached in 1977, when orders acquired—valued in real terms — hit an all-time high. The boom in foreign orders was very valuable since spending on big projects in Italy had tailed off.

But in 1982 new orders amounted to only L2,350bn—just under half the L4,880bn they had reached in 1981; an even steeper drop when presented in real terms. This year things are no better.

Basic causes are obvious: decline in the spending programmes of the Opec countries, which have been cutting back sharply on capital spending as a result of the fall in their oil revenues; and the weakening of the economies of many of the non-oil developing countries.

Since virtually all Italian overseas construction work is in developing countries, there has been little to fall back on. The Libyan market, Italy's biggest in the OPEC countries, has declined, and companies have had a lot of trouble getting paid. New contracts for Italian companies in Saudi Arabia crashed from nearly L400bn worth in 1981 to L25bn in 1982. In Nigeria, new orders in 1982 amounted to only a fifth of those the year before.

The only possible bright spot is Algeria, where the conclusion, at long last, of an agreement over gas supplies to Italy via the trans-Mediterranean pipeline should open the way to new contracts in construction and plant engineering—though few have yet been firmly agreed.

To a large extent the Italian overseas contractors are suffering problems similar to those of other countries. But ANCE, the Italian constructors' association, believes Italian firms are being hit more harshly than the contractors of other European countries. ANCE says that both France and West Germany have seen foreign contracting orders decline by 35 to 40 per cent in real terms from 1981 to 1982 against the Italian fall of 60 per cent in real terms.

The Italians claim with even more concern that South Korean contractors appear actually to have increased their intake of new orders in 1982 compared with 1981, with particular success in Saudi Arabia; while Filipino companies have also done better rather than worse. Here the usual arguments about suspected hidden state subsidies for these companies, with their much lower labour costs, come into play—though the Koreans point out that their overseas contractors order large quantities of Italian construction materials.

Scornful

Because of these unfavourable comparisons Italian contractors are increasingly blaming their Government for not giving the Italian companies the strong diplomatic and political support that other governments, notably France, give theirs. In particular they—and others—are scornful of the Italian Government for giving in to Algerian demands for an uncommercial premium on the price of gas via the Trans-Med pipeline, without getting firm commitments that Italian contractors would get offsetting contracts. ANCE also argues that the export guarantee policy pursued by the agency SACE is sometimes ambiguous, as well as too cautious.

Although export credit is becoming more difficult to obtain, Italian contractors should increasingly benefit from the enormous expansion of the Italian foreign aid programme, which from being very small a few years ago should this year involve the spending of about L2,000bn, some of which should find its way directly to construction contractors. The construction companies argue, however, that this only brings Italy up to the level of countries like France and Britain in terms of aid spending.

The Italian construction companies believe that in the meantime they must become more specialised in particular fields and more capable at handling all aspects of a construction job. Italian companies have a high reputation for building dams and hydro-electric schemes: half the new orders in 1982 were in this sector. Impresit has virtually finished the Bakalori irrigation project in Nigeria (one of its first major ventures as a general contractor) and in a consortium with Lodigiani and Girola will be sharing the work on the Yacyreta hydro-electric project in Argentina with a French concern. Three Italian companies are co-operating with German concerns on the building of a dam at Mosul in Iraq.

Unfortunately for the contractors, there is still little sign of construction work reviving in Italy despite some extravagant plans. Actual spending on major construction projects, such as new roads and ports, declined by 2 per cent in 1982 compared with 1981 and planned spending fell by between 5 and 7 per cent in real terms in the 1979-82 period. There has even been a reduction in spending on maintenance of existing infrastructure by such bodies as the Cassa per il Mezzogiorno, the special development fund for the south, as its funds are restricted by the Italian treasury.

In the past year programmes to spend L12.450bn on the railways, L800bn on the extension of the autostrada network (with more in the pipeline), have been passed by parliament. But so far only L350bn worth of contracts under the first L1000bn tranche of the railway plan have been put out to tender; and some L460bn worth on the autostrada — and it is not clear when contracts will be signed.

House building in the big cities is still virtually at a standstill, thanks mainly to over-restrictive regulations. But house building outside the main cities proceeds almost untrammelled.

But Italy is lucky, by comparison with some industrialised countries, in having a strong and capable plant engineering sector which continues to win reasonable orders in spite of facing the same kind of market conditions as the construction industry. Where it gains over its rivals in other countries is that it is technically highly skilled in certain fields, and can often offer competitive prices. It is also working in fields, notably oil and gas development, which are still thriving.

Saipem, the pipelaying and drilling subsidiary of ENI, the state energy group, saw its sales rise 28 per cent last year. It has a major project in western Saudi Arabia, and won an A$200m contract in Australia for a 1500 km gas pipeline. Its sister company Snamprogetti continues to win foreign orders, acquiring a very large (but unquantified) contract for an offshore oil platform off Libya in the last few months. A deal worth more than A$400m is expected to be concluded shortly for a gas collection scheme in Algeria — the biggest of several contracts which should go to ENI in the wake of the Algerian gas price settlement.

Italimpianti, a state-owned concern which built Italy's big modern steel complexes, has won a series of small contracts, some involving know-how transfer, compared with the big contracts it was winning a few years ago. It is still plugging away at building the Isfahan steelworks in Iran, which should eventually produce 3m tonnes of steel a year.

CIVIL CONTRACTS ABROAD

(Italian Lira bn)

	Roads and bridges	Railways and underground	Ports a airpornd	Dams, hydro gas pipeline	Housing and building	Total
AFRICA						
1981	754.59	28.94	121.37ts			
1982	352.03	84.64	48.85	93.61	1,938.43	936.94
AMERICAS				1,367.80	471.17	324.49
1981	248.94	302.56	46.50	194.40	669.641	462.04
1982	20.55	76.00	—	—	11.17	107.72
ASIA						
1981	142.76	—	—	875.12	420.251	438.17
1982	69.14	—	3.43	778.98	70.55	922.10
EUROPE						
1981	—	—	—	43.00	—	43.0
1982	—	—	—	0.84	—	0.84
TOTAL						
1981	1,146.29	331.50	167.87	1,206.13	2,028.36	4,889.15
1982	441.72	160.64	52.28	1,147.62	552.89	2,355.15

PROFILE: TEAM ENGINEERING

Personal touch pays off

TEAM Engineering is one of these consultancies active in plant and civil engineering design in which Italy excels.

Based in Rome it is by Italians standards medium-sized. Its skilled staff number just 90, compared with the 5,000 employed by an American giant such as Bechtel. And yet this small number, built up personally by the two people whose meeting a decade ago led to the company's formation in 1975, is capable of offering clients a strikingly wide range of services.

These customers tend to be public administrations and governments, most frequently in the developing world (Team's business is 80 per cent generated abroad) for projects ranging from roads, railways and landscaping to new schools, residential complexes and irrigation projects in Nigeria and beyond, to consulting services for a new engineering faculty building at the University of Ancona on Italy's Adriatic coast.

The choice of Ancona is far from accidental. For a professor at that university, as well as the head of Team Engineering itself is Vittorio Mosco, one of the country's best-known project engineering designers.

Team grew, as have so many such ventures in Italy, at the personal initiative of Prof Mosco and a small group of already qualified specialists, who decided to pool their expertise and set up their own professional grouping. Today Team has five partners, of who three are active; its volume of business is a carefully guarded secret, although it would appear substantial if the total size of its principal current venture—the construction of Nigeria's new federal capital of Ajuba—is anything to go by.

The role of the design engineering consultancy is a broad one. It ranges from the initial request by a client for feasibility study, followed by a design of the project. Once this is approved, the scheme is put out to tender organised by the client. As soon as the bids from potential contractors are in, these are evaluated by the experts from Team, on a non-binding basis. Once the contracts are awarded, then the consultants often superintend the progress of work, and play an active part in training as well as start up operations at a completed plant. What is more, Team or another design engineering concern, can offer support on the financial side, such as exploring the possibility of soft loans to help pay for the project.

Improvisation

The workings of a company like Team epitomise some of the shortcomings and strengths of Italy as an advanced industrial power. Effective backing from the Government and Foreign Ministry may be deficient, especially when compared to countries like France, and indeed Team found the going was tough in its early days. But once the flow of business has been assured, the virtues of Italy come to the forefront.

"Our human relations are better," says Prof S. Mosco," "and our proposals are both very detailed and very elastic at the same time." Flexibility, and a gift of improvisation in sometimes tricky situations also distinguishes an Italian concern like Team from its competitors in the U.S. or elsewhere.

Prof. Mosco's University links are precious too. The day or two he spends on an average each week at Ancona University enable him to keep a close watch on potential recruits for the partnership. The emphasis is on youth: bright graduates can come in at the age of 25 and, after evaluation during a couple of years training, are thrown in at the deep end.

For the time being, the company is heavily geared towards the Ajuba project in Nigeria, where a third of its staff are to be found at any given moment. But the uncertainties of contracting in the Third World today are considerable. Team, like many civil engineering design concerns, is starting to look again towards the domestic market.

Rupert Cornwell

Factory automation brings benefits to the sector

MACHINE TOOLS

IAN RODGER

THE ITALIAN machine tool industry has coped better than most of its international competitors during the long and deep worldwide recession in capital plant investment.

It has, for example, overtaken the U.S. to become the third largest exporter of machine tools in the world, after Japan and West Germany, and is the fifth largest producer with a 6.9 per cent world market share.

More important, it is emerging as one of the major contenders in the rapidly new business of factory automation.

Italy has five groups of varying size that combine machine tool and electronic control expertise. These are the vital components of flexible manufacturing systems and other types of factory automation systems. Many industrialised countries, including Britain, have no companies that have manufacturing activities in both these areas.

The successful development of the Italian machine tool industry goes back to the late 1960s when the country's consumer goods industries, in particular, were investing heavily in new plant.

Typically, Italian engineering companies are small, with less than 500 employees. They work well with the local machine tool companies, most of which are also small and managed by young engineers who eagerly embraced numerical control technology.

State control of manufacturing industry in Italy is also a significant factor, as state owned companies account for about half of all fixed capital investment in the country.

In the machine tool industry itself, state companies account for perhaps 5 or 6 per cent of total turnover, but two of the five groups aiming at factory automation markets, Saimp and Elsag, are state controlled.

In the past three years, Italian producers have attempted with some success to make up for the weakness of their home market with export sales. But last year, the value of total sales tumbled 12 per cent to L1,540bn in money terms — 20 per cent in real terms — and exports dropped 4.3 per cent in current prices.

Exports now account for 56 per cent of the industry's output, with about a third going to other European Community countries, 15.4 per cent to other west European countries, 12.6 per cent to eastern Europe and 8.1 per cent to North America.

Weaker orders

Mr Bruno Rambaudi, president of UCIMU, the Italian machine tool manufacturers' association, says orders weakened further in the first half of this year, although less for high technology products than for standard products.

The slump is hurting even the strongest companies in the Italian machine tool industry.

Mr Giuseppe Hannau, marketing manager for Europe of *Olivetti Controllo Numerico*, acknowledges that the business, with annual sales of about L100bn, is in loss.

OCN is the leading Italian producer of machining centres, but is strong only in the home market. It also makes assembly robot and numerical controllers. To further its capabilities as a full line supplier of factory automation equipment in European markets, Olivetti in 1981 acquired Esercizio Pietro Pontiggia, the leading Italian producer of CNC lathes, and early this year it formed a joint venture with Allen-Bradley of the U.S. called OSAI to manufacture and market A-B's well known CNC controllers in Europe.

Mandelli, another major machining centre manufacturer, managed to stay in the black last year, but its net profit was down 63 per cent to L140m on sales that were little changed at L34bn.

Mandelli, which also designs and manufactures its own numerical controllers, is well known in international markets, and exports about half its output. The only major market it has failed to penetrate is Japan, and last year, it arranged with Amada of Japan to manufacture *two of its machining centres* under licence.

"We see it as our Trojan horse," Mr Giancarlo Mandelli, group president, says.

Mr Mandelli says that factory automation systems business has been larger than ordinary machine sales for the company since 1981. It is building systems for, among others, Ferrari and IBM in Italy, Caterpillar Tractor, Alsthom Atlantique and Societe Nationale des Industries Aerospatiales in France and Volvo in Sweden.

The company that appears to be the strongest Italian contender in the factory automation business is the Comau subsidiary of Fiat. Already established as one of the leading world suppliers of transfer lines for the automobile industry with 1982 turnover of L422bn, the company has deliberately attempted to diversify its customer base in the past few years, and to develop its expertise in flexible systems. Today, about 35 per cent of its business is outside the automobile sector, compared with 20 per cent five years ago.

Among its recent important orders are a $7m FMS project to make compressor parts for Borg-Warner of the U.S., a $20m order from the Soviet Union for a system to machine combine harvester parts and a $20m order from Turkey to machine tractor engine parts.

Mr Francesco Ciaccia, commercial director, says the company now has enough orders to keep it busy until the end of *next year*.

Order book

Fiat itself now accounts for about 60 per cent of Comau's order book, because the group's motor division is in the midst of a major investment programme. Internal business has been as low as 7 per cent in the past and Comau would like *it to* be about *half* its *total* order book.

Although it already counts the major U.S. automobile companies among its major customers, Comau wants to increase its business in the U.S., so last spring it negotiated a joint venture with Bendix, a U.S. competitor in the transfer line business.

Bendix, for its part, was seeking a European partner with expertise in flexible factory systems. Under the deal, Bendix has taken a 30 per cent equity stake in Comau for an estimated $30m and Comau gets a 10 per cent stake in a joint U.S. marketing company called Bendix / Comau Production Systems.

Mr Ciaccia estimates that about 40 per cent of the orders won by the new company will be filled by Comau.

ITALIAN MACHINE TOOL EXPORTS
(by major countries—1982)

Destination countries	Value (Lire m)	Change per cent 1982/81	Weight ('000 kg)	Change per cent 1982/81	Lire/kg
France	120,985	− 8.7	9,338	− 8.0	12,956
USSR	87,131	+ 75.9	4,300	+ 31.7	20,260
W. Germany	82,131	− 25.1	6,714	− 37.0	12,230
U.S.A.	57,578	+ 9.6	4,539	− 21.6	12,690
UK	44,426	+ 25.7	3,080	− 5.8	14,430
Switzerland	27,512	− 14.1	2,543	− 35.6	10,820
Spain	26,606	+ 17.8	1,730	− 52.0	15,380
South Africa	26,077	− 41.3	3,558	− 38.9	7,330
Iraq	19,928	+120.0	1,512	+116.2	13,180
Sweden	18,910	+ 23.3	1,442	+ 19.0	13,110

Source: UCIMU elaboration on ISTAT data.

Jobs shadow hangs over rescue plan

CONSUMER ELECTRONICS

RUPERT CORNWELL

WILL JUNE 8 1983 go down as the day that Italy's struggling consumer electronics industry at last turned the corner? Or will it be remembered merely as another date on the road to its inevitable demise? That is the essential, unanswered question which remains after the approval that day of a L360bn ($240m) plan aimed at re-organising and financially strengthening the small and unordered army of little companies active in the sector.

Possibly the scheme will prove to be too little, too late, to make good the backwardness and shortcomings of the industry in Italy, compared to its competitors abroad. The plan which was finally endorsed by CIPI, the inter-ministerial policy committee headed by Sig Filippo Maria Pandolfi, Industry Minister in the previous Government of Sig Amintore Fanfani, is the fruit of discussions which originated as long ago as 1978. Many moreover would argue that even L360bn is insufficient, given the scale of the problems.

On the other hand, the plan has been drawn up with a thoroughness which augurs well for an eventual success, that would contrast with most other government-inspired efforts to overhaul industrial sectors in difficulty. What is more, it has skilfully exploited the common plight of the companies involved to secure an unusual degree of consensus over its aims and acceptance that alliances with leading non-Italian manufacturers are probably essential.

The kernel of the scheme is a new state-controlled financial company called Rel, short for *Ristrutturazione Elettronica*, jointly owned by the Industry Ministry and IRI, the publicly-owned industrial holding company.

Its future activities may be divided into four categories, two of which are certain to be implemented and two which have yet to be finalised. All are designed to correct a situation in which foreign suppliers have captured over half of the domestic consumer electronics market, for products like colour TV, radio and video recorders, where Italy suffers from a chronic trade deficit, reaching L877bn ($585m) in 1982 alone.

The first tranche, worth about L70bn, of the L360bn available will go to strengthen up to 20 small companies manufacturing *either finished electronics* products or components. The idea is for Rel to commit new financial resources to each of these companies via capital increases, which will see Rel acquiring minority stakes of up to 49 per cent in their equity. It is envisaged that the state's participation will not extend beyond five years, after which it will be bought back by the company concerned—by then, it is hoped, restored to health.

More important, however, is the involvement of Rel in attempts to breathe new life into the Italian colour TV industry, alongside two of the biggest, and long most troubled, Italian electronics producers. Indesit and Zanussi.

Committed

The story of colour TV in Italy is a wretched one, traceable to the great delay of the Rome authorities in deciding which system to adopt. It was not until 1976 that the first transmissions, using the German Pal system, were broadcast; by then foreign manufacturers were placed to capture the biggest share of the market.

The L300bn which Zanussi has unavailingly committed to its three subsidiaries in the field (Zanussi Elettronica, Ducati Elettrotecnica, and Inelco) over the past five years are at the root of the severe difficulties Zanussi now faces.

By 1982 its share of the domestic colour TV market had risen to 12 per cent—and its *declared* losses to an unprecedented L130bn ($86m). Clearly, state intervention was needed if the entire future of the group, employing 32,000 people, was not to be jeopardised.

As Zanussi was pondering the means of a substantial injection of fresh capital, to reduce bank indebtedness which had reached L600bn by the end of 1982, the Government pushed through on June 8 its colour TV proposals. Their heart is a new financial group, capitalised at L60bn, in which Rel will have the largest single shareholding of 45.8 per cent—followed by Zanussi with

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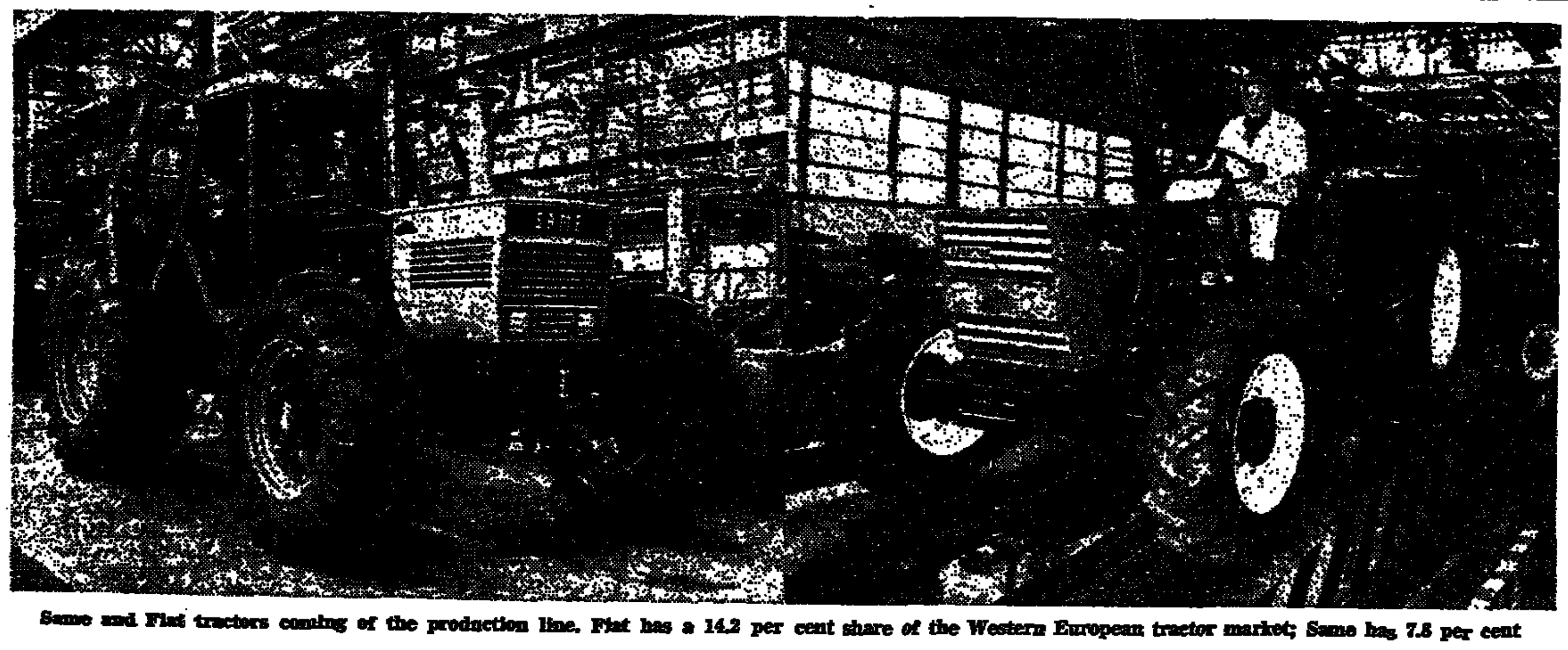
ITALIAN ENGINEERING V



Same and Fiat tractors coming of the production line. Fiat has a 14.2 per cent share of the Western European tractor market; Same has 7.8 per cent

Top of the tractor league

AGRICULTURAL EQUIPMENT

IAN RODGER

ITALY IS famous for lots of things: song, love, pasta and fast cars among them.

It also produces more tractors for sale in Western Europe than any other country.

Fiat Trattori is the European market leader, with a 14.2 per cent share, having overtaken both Massey Ferguson and International Harvester in the late 1970s.

Same, the other Italian group, has, together with its Lamborghini subsidiary, another 7.8 per cent.

The Italians start with very strong positions in their home market, Fiat with 38.4 per cent and Same-Lamborghini with 22 per cent.

Of the nearly 39,000 tractors Fiat sold in Europe last year, 19,000 were sold in Italy and of the 21,000 sold by Same and Lamborghini in Europe, 10,300 were sold in Italy.

Still, Fiat has made significant progress in a number of markets, notably France Belgium, Denmark, Spain, Greece and Ireland, and claims a 9 per cent market share in Europe, excluding Italy. Same's main export markets are France and West Germany.

Ask the Italians why they have succeeded, and the answers are not surprising. "We have a new product line, good service and we produce efficiently without big overheads in a single factory," says Vittorio Di Iorio, sales director of Fiatagri, the newly formed Fiat subsidiary that combines its agricultural equipment activities.

Same attributes its success in large part to a deliberate decision in the late 1970s to concentrate on large, four-wheel drive tractors, which now account for over 80 per cent of sales.

"The market was moving that way and we anticipated it," Mr Remo Micheletti, planning and marketing director, says.

Same is also one of only two major tractor manufacturers that make air-cooled engines, the other being Deutz of West Germany.

Fiat is also a major supplier of tractors in many markets outside Europe, with 46 per cent of its production going to other continents.

As a result, however, of financial instability and operating restraints in many third world markets, the group is increasingly inclined to concentrate its efforts in what it calls "free markets." "When you are in a free market, you sell your best product at your best price," Mr Di Iorio says.

Mistakes

"But when you start to fiddle (by agreeing with a country, for example, to install a diffent engine because it is made in that country), then you have problems and your start making mistakes. And if the local market collapses, you can't sell your product elsewhere."

The market Fiat is trying to develop now is the U.S., where it had been represented only indirectly until three years ago. Sales are building up slowly—the group expects to sell 1,500 tractors in the U.S. this year. "This is our adventure. It is not vital, but everyone is satisfied and we are doing a good job."

Fiat plans to continue building its European market share, but is not interested in buying other companies. "It would be too costly to close their factories."

Mr Di Iorio complains about government subsidies and exceptional bank credit terms given some of its competitors, but is philosophical about it. "Maybe, if we were in trouble, we would play the same tricks."

Fiat Trattori is operating at a "satisfactory" rate; its increase in market share having enabled it to maintain production. "We have not lost money since 1974 and have been able to invest $70m in the past three years on improvements to our transmissions and cabs."

The Same group (Same is an acronym for the Italian words for an engine company) consists of three tractor manufacturers, Same, Lamborghini and Hurlimann of Switzerland.

Until two years ago, the three companies ran independently, developing their own products and operating their own manufacturing and marketing organisations.

Since then, the group has been developing a new product line for the three companies, the Same models of which were introduced this year.

Same suffered with the 11 per cent decline of the Italian market last year, but improved its market share fractionally. Production had to be slowed late in the year to reduce stocks, but total group output was fairly satisfactory at nearly 17,000 Same tractors, 7,000 Lamborghini tractors and nearly 1,000 Hurlimann tractors.

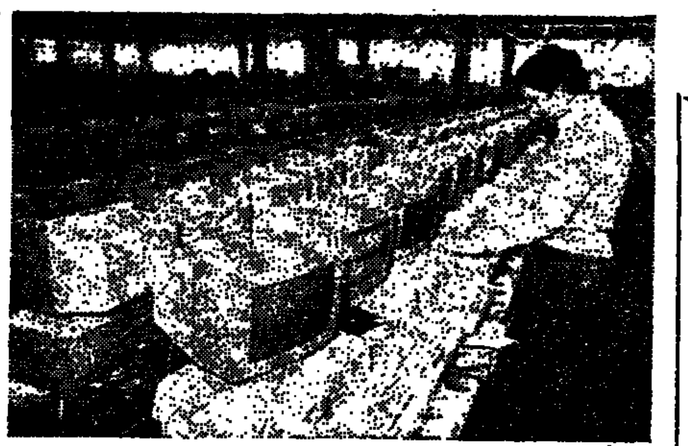
Group turnover was up 5.7 per cent to L458.5bn. Same's own overseas turnover was up nearly a quarter to L183.8bn because of its improving position in European markets and favourable currency movements. Less than 10 per cent of its sales come from outside Europe.

Optimistic

Mr Micheletti said he hoped this would be the last year of recession in the Italian market, and he was optimistic that both Same and Lamborghini would remain profitable.

Same's strategy is similar to that of Fiat in that it favours concentration on European markets. The group made a big effort a couple of years ago to try and establish itself in China, but has virtually given up. "So far, we have spent a lot of money in China," Mr Micheletti says wryly.

Nor does the group intend to diversify, except into the "loose" diesel engine market. Same tried making commercial vehicles in the early 1970s but soon abandoned it.



Hugh Routledge

The making of data processing equipment in Italy is concentrated heavily in the hands of Olivetti. Above: tests being carried out on M20 computers at the Olivetti plant in Scarmango

Rescue plan

CONTINUED FROM PREVIOUS PAGE

43.4 per cent, and Indesit with 10.8 per cent.

The venture will have a maximum on-stream capacity of 700,000 colour sets a year, as well as 100,000 black-and-white TVs and other video equipment to be produced at a factory at Caserta, near Naples. By pooling the resources of the three partners, the project is intended to reap the advantages of economies of scale impossible to each of them on its own. In addition, the Rel-Zanussi-Indesit alliance may be expanded abroad—and thus become a player in the intricate complex of negotiations under way at a European level to reshape the industry.

Philips of Holland, which in early May announced a vaguely-worded collaboration agreement with Zanussi, may become the venture's fourth member; nor is it to be ruled out that Thomson-Brandt of France, with which the Rome authorities have already had contacts, participates as well.

Rel is also weighing the prospects of intervening in two other related fields. It is considering whether to join forces with Autovox (and use technology from Philips) to promote Italy's manufacture of car radios. The most probable scheme foresees the creation of an operating company by Rel and Autovox which would produce 700,000 units annually. An analogous project is taking shape in the videorecorders field, involving Rel and the Italian Voxson electronics concern—this time with ITT as the foreign partner.

There is no doubt that developments along the above lines are vital if Italy is to remain a force in the fast-growing, and infinitely promising, consumer electronics field. Unfortunately, as the unions and Government are only too well aware, a considerable price in terms of jobs will have to be paid.

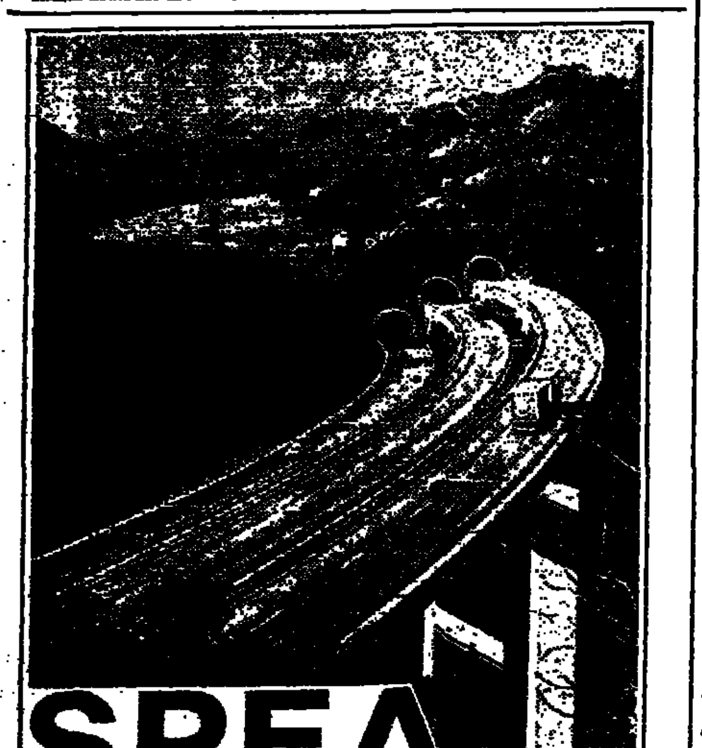
The pooling by Zanussi and Indesit of their colour TV divisions under the aegis of Rel is expected on its own to entail the trimming of 1,000 men from their present combined workforce. According to Sig Mario Colombo of the CISL union, fewer than half of the 16,000 men presently employed in the consumer electronics industry are actually working. He fears that if the rationalisation plan goes through, 7,000 to 8,000 men might lose their jobs.

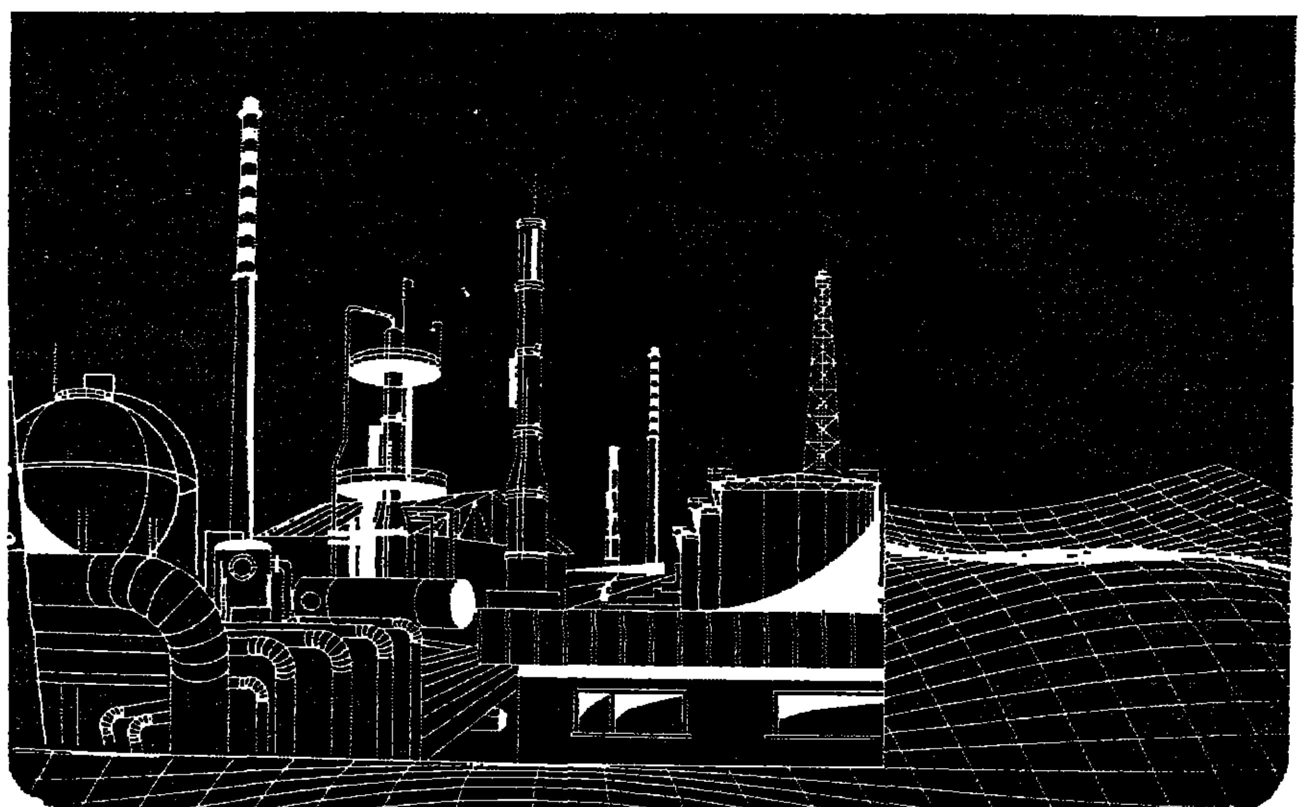
Nor does that figure include the possible cutbacks at Zanussi itself if its own recovery plan goes through. The company has long insisted that at least 3,000 jobs must be shed if Zanussi is to be restored to full health—as a study by McKinsey, the U.S. management consultants, concludes it can be—by 1985. By that date, the household appliances division, for which Zanussi is best known, would be generating a cash flow of L200bn a year, compared with just L80bn today, and the group's debt/turnover ratio be sharply reduced.

Major decisions for the future of Zanussi were taken at a meeting of shareholders on June 29.

Sig Lamberto Mazza, chairman and chief executive for the last difficult years, stepped down, to be replaced by Sig Umberto Cuttica, a manager with a long experience at Fiat behind him. This change may well be followed this autumn by a modification of Zanussi's shareholding structure.

Hitherto 90 per cent of the company's capital has been controlled, directly or indirectly, by the Zanussi family. But that proportion is likely to be reduced, although the family is insistent on retaining at least 51 per cent control. Now it seems as if members of the "consortium" group of private companies, including Fiat, may take part on a long overdue recapitalisation plan.





Thriving on the Nato connection

DEFENCE ELECTRONICS

JAMES BUXTON

ROME IS not an idustrial city and Italy, despite Olivetti, does not have a reputation for being in the forefront of the electronics industry. Yet out on the Via Tiburtina, which leads from Rome to Tivoli and beyond, are based some of Europe's most advanced companies in a major sector of electronics—defence.

The three main companies are Selenia (though about half its sales are on the civil side), Elettronica and Contraves. Between them they produce an impressive range of offensive and defenesive weapons systems and the apparatus to control them, as well as some Europe's most sophisticated electronic warfare equipment.

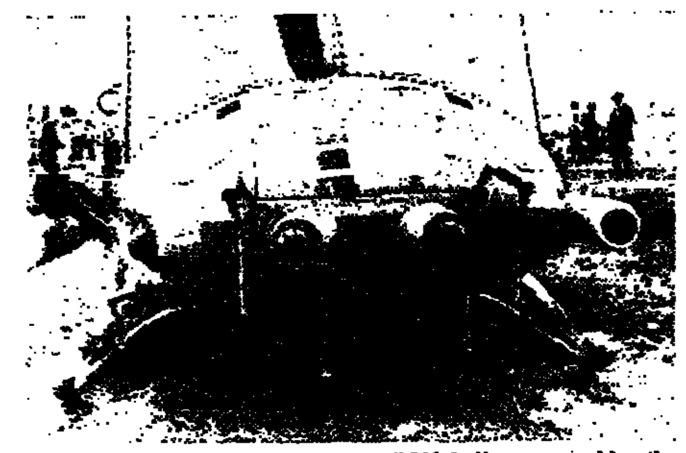
All three are highly export-orientated, selling about three-quarters of their output abroad, and all three have had very fast real growth in the past few years. This is due to the world boom in defence sales in general and to the success of the Italian defence industry in particular, which is now reckoned to be the fourth biggest exporter in the world, after the two superpowers and France but ahead of Britain.

Demanding

By any yardstick the Italian defence industry has, since 1976, vastly outperformed any other sector of the Italian engineering industry.

The Italian arms industry thrives on a unique combination of factors. As members of Nato the Italian armed forces need reasonably sophisticated equipment but are neither so wealthy nor demanding that they can impose their will on defence suppliers and insist on products that are too expensive or sophisticated to sell elsewhere—as often happens in Britain, for example.

This means that Italian military products are likely to be highly commercial. Export controls for many defence items are not always very exacting, though there are strict limits on sales of electronic equipment. Italian defence salesmen are renowned for their technical competence, persuasiveness and flexibility. The defence electronics industry benefits greatly from being part of a strong national defence industry.



The antenna on this Augusta-Bell AB212 helicopter enables the aircraft to discover if it is being detected by an enemy radar, and where and what type the radar is. The system's maker Elettronica, concentrates almost wholly on electronic warfare equipment

The leading company in the electronics field is Selenia. A few months ago it became the head of a group of state-controlled systems electronics companies called Ragruppamento Selenia Elsag, which has a strong bias towards defence but is also involved in other fields in systems electronics. The while group, which comes under IRI through its subsidiary Stet, employs 9.500 people and in 1982 had sales of about L650bn.

Selenia itself, which accounts for nearly L400bn of that sales figure, is roughly divided between military and civil production. It is one of Europe's leading companies in the field of air traffic control and claims to have a quarter of that part of the world air traffic market which it defines "accessible." It has installed 190 air traffic control systems in 29 countries, including the Soviet Union (11 radar systems in the Moscow area, installed in collaboration with Saab of Sweden).

As an indication of Selenia's strength in the radar field it recently sold a licence for one of its radar systems to Sperry of the U.S. The fact that Italy itself is only now getting an air traffic control system covering the entire country—built by Selenia—is cited as an example of how little backing the Government gives the company.

In the defence field Selenia makes the Aspide multi-role missile which has been sold to 15 countries. The missile is used in air defence systems including the Albatross naval system (mounted on the successful Lupo and Maestrale frigates which are built and equipped by a consortium of Italian arms makers and shipbuilders). Selenia has also developed the Spada ground-to-air defence system using Aspide and has sold it to the Italian Air Force for use in airfield defence. It also makes military radar and electronic warfare equipment.

Heavy investment

For many years Selenia consistently made losses which the company attributes to the fact that it had to make such heavy investment in research and development but which its private sector competitors less charitably blame on the fact that it is a state-owned company. But in 1981 it made a modest profit of L3.3bn; last year this went up to L5.7bn. The compayn reckons it is now reaping the fruit of past investment.

Another company in the Selenia Elsag group is Elettronica San Giorgio—Elsag based in Genoa which in the defence field makes naval systems and factory automation equipment. It recently brought DEA (Digital Equipment Automation) a small but fast growing Turin-based electronics company which was nearly bought by an American company.

A few hundred yards up the road from Selenia is Elettronica, one of the most remarkable electronics companies in Italy. It concentrates almost 100 per cent on electronic warfare equipment and is privately-owned. It is the creation of one man, Sig Filippo Frattalochi, who founded it in 1951 initially to make transformers for the railways. In 1955-56 it converted to electronic warfare equipment, then a field almost entirely unknown in Europe and certainly in Italy.

Electronic warfare falls broadly into two parts: electronic support measures (ESM) and electronic counter-measures (ECM). ESM involves such things as equipment to tell a ship, aircraft or army formation if it is being detected by an enemy radar, and where and what type the enermy radar is. ESM equipment can be used to build up a picture of the enemy's order of battle via his radio and other emissions.

ECM goes a stage further and involves the jamming of threatening transmissions and the retransmission of radar signals altered so that an enemy may fire his missiles at the wrong target.

The company has designed equipment is used for aircraft, components with a high degree of commonality between the naval and air force equipment. to simplify logistic support and maintenance, and also makes all its critical components itself so as to be independent of outside suppliers and able to adapt its components to the use for which they are required.

Elettronica says it has never produced under licence from other manufacturers and says it built up its electronic warfare knowhow with the help of men who had originally designed the radars they were now trying to foil. The company has grown very fast since the beginning of the 1970s, with staff rising from about 500 to over 2,000; sales rose from just under L40bn in 1977 to over L130bn in 1982 and should continue to outpace inflation to reach L160bn this year.

Of the three main defence electronics companies on the Via Tiburtina, only Contraves has moved out of its earlier rather ad hoc and randomly expanded plant: it now lies behind poppy fields and closed circuit TV cameras in an intimidating gold grass-fronted building within which staff members move quietly about with their identity badges clipped to their lapels. Contraves is a wholly-owned subsidiary of the Swiss company Oerlikon Buhrle which set up in Italy in the 1950s mainly because of its access to the Nato market and comparatively low labour costs.

Its mixture of national production bases and the fact that many weapons projects are anyway joint ventures between different companies and countries gives Contraves a chameleon-like ability to make itself politically acceptable to almost any customer. It now has responsibility for Italy, the Middle East and Africa, while the parent company in Switzerland handles the Nato market.

After a history of developing what it says was the first sea-skimming missile (Seakiller) it specialised on fire control systems and radar. Its current pride is Seaguard, one of only a tiny handful of what are called close-in defence systems for ships: the last defence for a warship against aircraft and, especially sea skimming missiles like Exocet. Seaguard consists of a search radar, a tracking radar, a very rapid-fire gun and, if necessary, the anti-aircraft missile Aspide (made by Selenia). When a ship is being approached by a missile the system should activate itself automatically and shoot down the missile using its four-barrelled gun, which is capable of firing more than 3,000 rounds per minute.

High hopes

Contraves says that the tracking radar and the fire control system—the heart of Seaguard—were designed and are made in Rome, while the UK company Plessey designed the search radar and Oerlikon is responsible for the gun. The interesting thing about Seaguard is that it is a private sector venture — Oerlikon decided to invest in it and has so far spent about $100m.

So far, however, having been unveiled at the Genoa naval weapons show in 1982 only one navy—the Turkish—is thought to have bought Seaguard, but Contraves has high hopes of selling to Britain's Royal Navy, after which other orders could easily follow. So Seaguard is not yet in series production and Contraves is waiting to cash in on its investment.

Contraves recorded sales of about L119bn in 1981, of which about 80 per cent is exported. It employs about 1,100 people and does not talk about its profits.

Days of rapid growth over

AEROSPACE

JAMES BUXTON

RECESSION IS beginning to nibble at the Italian aircraft industry. After several years of rapid growth, exports are rising less quickly than before and new orders are arriving more slowly.

But thanks to rapid advances in the past few years the Italian aerospace industry is now one of the most important in Europe, both in size and technical competence. Governments have intervened with reorganisations and partial or total state-ownership of most of the companies; much of the industry's success has been achieved despite rather than because of the Government.

For example, there has been no pressure for Italian aerospace companies to take part in very expensive, prestige projects of the Concorde variety, while the Italian air force has never had the money to support the industry in the way the RAF has supported British aircraft manufacturers.

Success in the industry has been due rather to clever exploitation of gaps in the market left by the larger manufacturers, to far-sighted arrangements for the acquisition of foreign, mainly U.S., technology, to profitable sub-contracting deals with other manufacturers, and to the traditionally effective Italian salesmanship, especially in developing countries.

The industry's total turnover was only L740bn in 1977. In 1982 it had reached L2,900bn, an impressive increase even allowing for high Italian inflation rates. Sales growth in 1982 alone was 31 per cent. Exports in 1982 rose by 22 per cent to L1,900bn: faster than the 16 per cent inflation rate, but a slower rate of growth than in 1981 when exports rose by two-thirds. Allowing for imports of L690bn, in 1982, the industry had a trade surplus in aerospace products of L1210bn.

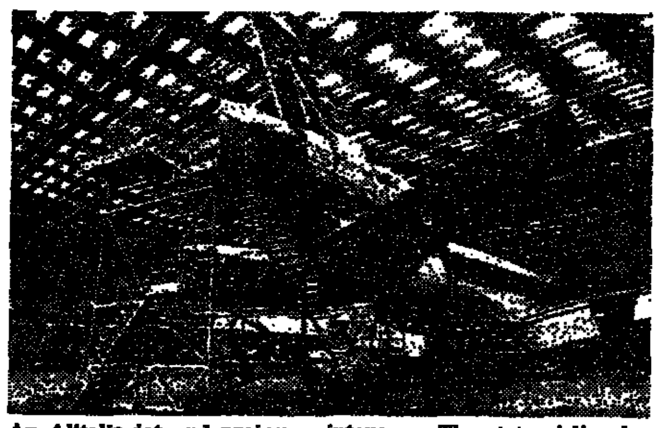
Though the state is the main shareholder, the aerospace industry is divided into two ownership structures, IRI, the state-owned holding company, owns Aeritalia, the main airframe maker, and Aeritalia numbers among its interests 25 per cent stake in Aermacchi, which makes light military aircraft.

The other branch of the industry is controlled by EFIM, smallest of Italy's three state industrial holding companies. EFIM controls Agusta, the helicopter producers, and among Agusta's subsidiaries is Siai Marchetti, another fixed wing manufacturer. The tension, as will be seen, comes partly because of the potential for duplication and competition between the subsidiaries of Aeritalia and Agusta.

State-owned

Closely connected to the airframe manufacturers are the engine makers, Fiat Aviazione, part of Fiat, and Alfa Romeo Avio, a subsidiary of Alfa Romeo and thus another branch of IRI. The industry also draws heavily upon the products of the successful Italian systems electronics industry, part of which is state-owned.

After Signor Gianni de Michelis became Minister for State Shareholdings in 1980 he succeeded at least in establishing clearer guidelines between the two main groups in the industry in an attempt to avoid duplication; but his most recent proposal to bring the whole airframe industry under the control of IRI appears at present to have collapsed.



An Alitalia jet undergoing maintenance. The state airline has strong doubts about the European Airbus A320 project, and Italian manufacturers are hesitating over possible participation, despite strong French pressure

Aeritalia, which increased its sales by 52 per cent in 1982 to L800bn, and doubled its profits to the still modest level of just over L4bn, is the biggest company by sales, the main operator in the sector of large aircraft. It builds the Panavia Tornado, in partnership with Britain and West Germany, and the arrival of the first of the 100 of these aircraft which the Italian air force is ordering is a major cause of the boost to the company's sales.

Aeritalia also produces the G222, the twin-engined military transport aircraft which is currently the largest aircraft of entirely Italian manufacture. The majority of G222 sales have been to the Italian air force, and though the aircraft has made foreign sales, it has found it difficult to combat the larger and more famous Lockheed C130 Hercules.

In keeping with its role as a large airframe maker Aeritalia is a partner in the Boeing 767 project, making parts of control surfaces and tailplane using sophisticated composite materials which should enhance its technological capability. But it also makes parts for the McDonnell Douglas DC-9 and DC-10 airliners in the role of subcontractor, and will share the work on the DC-9 Series 80, of which Alitalia has recently ordered 30. An Aeritalia subsidiary will also do the work on refurbishing old DC-9 aircraft which McDonnell Douglas will be buying in from Alitalia as part of the deal.

The Italian manufacturer's ties with the two big American aerospace companies would not preclude it from joining the European Airbus consortium, but in practice Italy has grave doubts about the viability of the A-320 project, which France is very keen for it to join.

The project, for a 150-seat airliner, does not fit in with the needs of the airline Alitalia, since the aircraft will not be available until long after the DC-9 Series 80 programme is complete. It doubts whether the A-320 will be commercially viable anyway, which would make the investment of about L200bn in it that Italy will be expected to put up difficult to justify.

If Boeing goes ahead instead with its own 7 Dash 7 project for an aircraft similar to the A320, then Aeritalia could be expected to participate in that. For the moment the official Italian position is that, other things being equal, it would prefer to join a European rather than an American aircraft project. The Italian government's view, however, is that other things are not equal.

But Aeritalia is co-operating with Aerospatiale of France in the construction of the ATR 42 commuter aircraft. The aircraft, which will seat about 50 passengers, has already won about 50 orders, and there is considerable interest in a possible military version with a rear loading ramp. The first flight is expected in August next year, and the first deliveries in 1985.

Through its stake in Aermacchi, Aeritalia is closely involved with the AMX project for a light attack and battlefield support aircraft. The AMX is being developed in partnership with Embraer of Brazil, as well as with Aeritalia; designed to replace the old G.91 in the Italian air force. It has also been ordered for the Brazilian air force — total orders now amount to 266.

Though the AMX's first flight is due by the end of this year, series production could be delayed by the fact that the Italian parliament had not approved the L470bn worth of financing needed before it was dissolved for the general elections.

Distinguished

Aermacchi is also doing well with its MB 339 trainer and attack aircraft, which distinguished itself in Argentinian service in the Falklands by sinking a British frigate. Orders have been acquired from Italy, Argentina and Malaysia, and an agreement was recently made with the Peruvian Government under which the MB 339 will be assembled in that country. Another country, which Aermacchi refuses to name, recently ordered 12; and there are hopes of orders from Iraq, where production facilities could also be created.

Agusta, head of the other family in the aerospace industry, has perhaps a more homogenous family product than Aeritalia. It is entirely involved in the helicopter business. It produces under licence a range of U.S. Bell helicopters, some Sikorsky models, and the Boeing Chinook CH-47. But it has also developed several of its projects, including the twin-engined Hirundo, which is designed for various military uses, and the formidable Mangusta anti-tank helicopter. The Italian army has ordered 67 of these. Sales prospects are considered good.

Then there is the project for the EH-101, a naval helicopter being developed jointly by Britain (through Westland) and Agusta, designed for both military and civilian use. It currently risks being delayed if the Italian parliament does not soon pass the funds needed for the development of the naval version. Part of the significance of the EH 101 project lies in the fact that it represents a partial weaning away of the Italian company from dependence on U.S. manufacturers.

Agusta's fixed wing subsidiary Siai Marchetti makes light turbo-prop aircraft and the sporty S-211 jet trainer. But it is at this level that overlap and competition tend to occur under the Government guidelines. Siai Marchetti is supposed to concentrate on the military side, while Partenavia, part of Aeritalia, has responsibility for the civil side.

But in practice Siai Marchetti's Canguro has a direct competitor in Partenavia's stable, and is also planning a 20-seat commuter airliner which would compete with the Partenavia P78, a 15-18 seat machine already under development. The very existence of the S211 in the jet trainer market offends Aermacchi, which considered it its own preserve.

Opposition

But the idea, voiced by Sig de Michelis at the Farnborough air show last year, of transferring ownership of Agusta from EFIM to IRI appears to be moribund for the moment, mainly because of EFIM's opposition to the idea of losing one of its better assets—and one which could be said, if looked at in a different way, to fit well with EFIM's other defence interests—it controls Oto-Melara and Breda, for example.

The two Italian aero-engine companies, Fiat Aviazione and Alfa Romeo Avio, are not directly involved in this controversy. Fiat Aviazione achieved sales of L300bn in 1982, a rise of 44 per cent and made a profit of L11bn. Alfa Avio's sales were L89bn. Fiat is gradually moving from production of engines under licence to the development of its own technology through joint ventures.

It recently signed an agreement with Pratt and Whitney of Canada for the development of a new jet engine for helicopters for use on Sikorsky models. It has also joined, as a junior partner, the big consortium which will jointly produce the engine for a new generation of 150-seat airliners.

Alfa Avio has a strong position in the servicing and maintenance of aero engines and in the manufacture of components. It has also developed a turbo-prop engine (the first all-Italian aircraft engine made in Italy since the war) and a small turbojet.

In the airframe industry one might expect that the pressure for rationalisation would increase as times became more difficult. Last year was a difficult one for helicopter sales, and the disastrous state of the airliner market and the weakness of the commuter aircraft market are alarming. Developing countries are in a bad way and the oil producers are retrenching. The immediate prospect is that competition for the Italian industry will become more intense.

Fiat's bestseller, the Uno, and the Datsun Cherry Europe, the product of collaboration between Italy's Alfa Romeo group and Japan's Nissan

At last, the outlook improves

MOTORS

RUPERT CORNWELL

THINGS at last are looking up for the Italian motor industry. The improvement is not conclusive, and could yet be nullified if the hoped-for worldwide pick-up in car demand does not materialise. But senior officials at both Fiat and Alfa Romeo, the two leading Itatlian manufacturers, are convinced that the industry is in a stronger position than for many years.

The trend is evident in most of the traditional yardsticks used to measure the sector's health — market shares, financial performance, new models and productivity. In terms of absolute sales the picture is less encouraging but that will only be put right when both the Italian domestic market and those in other major Western countries recover. And if there are fragile signs of such a recovery elsewhere, demand for new cars at home is weak. Deliveries in the first six months of 1983 were 8 per cent down at 89,756 units, compared with the same period of last year.

As usual, the running is being made by Fiat, which alone accounts for some four-fifths of total Italian car output. The Turin-based group's car division, Fiat Auto, is currently in the middle of a L5,400bn ($3.6bn) programme of investments in new models between 1980 and 1985. Earlier this year the spending yielded its most important fruit so far, with the launch of the Uno, the small car which Fiat is banking upon to be to the 1980s what the hugely successful, but now rather ancient, 127 was to the 1970s.

The first results since January's debut have been distinctly promising. The new car is already the top seller within Italy, and Fiat is hoping for further benefits as the Uno is introduced in other major European markets throughout 1983.

There are other noticeable results of the capital spending too. Both the Panda utility model, and in particular the middle-of-the-market Ritmo range, have been given significant facelifts while this autumn the successor to the 131 model is due to make its first appearance. Provisionally named the Regata, the 131 will be a traditional three-volume saloon.

Commitment

Further in the future is the "Tipo 4" model which will replace the present top of the range offering of Fiat, the Argenta. The sprucing up of the model range will be underpinned by a heavy commitment of resources to robotisation, in the aim of improving product quality and reliability.

The efforts made by Fiat have thus far been only partly reflected in its financial performance. Consolidated profits for 1982 are expected to be above the L90bn achieved for 1981, but the group is still suffering from the costly implications of its disengagement from traditional, but loss-making, operations in Latin America, notably Argentina.

In Europe Fiat Auto achieved a profit last year of L260bn, but this was more than offset by L340bn of losses incurred elsewhere in the world, above all in South America. Even so, a massive improvement in productivity—claimed at 40 per cent since the low point of 1979—is enabling Fiat to free resources for investment and improved marketing.

A consequence has been a sharp improvement in the group's share of its all-important home market. In the first six months of 1983 Fiat itself claimed 45.8 per cent of total sales, against 44.9 per cent in 1982. The advance was more striking at group level: 54.5 per cent, compared with 51.4 per cent for last year as a whole. In April 1983 alone, the Fiat group's share of the Italian market reached 57 per cent, a proportion not matched since the halcyon days of the early 1970s.

One reason has been the success of the Uno but an equally important factor has been the strong performance of Lancia, the upmarket subsidiary of Fiat, acquired for a token $100,000 in 1969. A third of the 1980-85 spending is earmarked for Lancia, and the new Prisma model, launched a few months ago, has proved something of a winner.

Lancia, together with its stablemate Autobianchi, has now outstripped Alfa Romeo to take second place among Italian manufacturers, with 8.7 per cent of total domestic sales in the first six months of 1983. Production at the company's main plant of Chivasso, close to Turin, is now running at full capacity.

Alfa Romeo, however, is not dismayed by what it trusts will be only a temporary demotion. One reason for the company's relative cheerfulness was the decline in losses reported for last year—to L80bn from almost L100bn in 1981—and the considerable improvement in productivity achieved after agreements last year both at its Irese factory, close to Milan, and the once notorious Pomigliano d'Arco plant, near Naples.

NEW VEHICLE REGISTRATIONS IN ITALY

	1st-half 1983	%	1st-half 1982	%
Total	899,756	100	981,936	100
Italian manufacturers	561,729	62.4	579,091	58.9
of which:				
Fiat	418,753	46.5	433,259	44.1
Alfa Romeo	55,881	6.2	65,435	6.7
Lancia/Autobianchi	74,737	8.3	69,545	7.1
Others	12,358	1.4	10,852	1.0
Imports	338,027	37.6	402,845	41.1

Another, however, is the small revolution about to overtake Alfa's own model range. The first novelty is the new Alfa 33, designed to slot in between the trusty Alfa Sud and the Giulietta, which received its European launch in May.

Controversial

Hard on its heels will follow the new car born of the company's controversial link with Japan's Nissan, 80 per cent Italian and 20 per cent Japanese by parts.

The model, the Arna, has been the object of a L60bn ($40bn) investment programme, and will be marketed through whichever of the two "parent" networks happens to be stronger in a particular country.

Further ahead lies he replacement to the Alfetta. If these various developments achieve the success which Alfa's management is expected, then hopes that the company's losses will be halved in 1983, and disappear in 1984, could prove to be justified.

An additional ground for mism is the agreement reached in November 1982 between Fiat and Alfa for collaboration in the components sector, putting an end to many years of wasteful jealosy and overlapping duplication between the two. The first common components will feature in Fiat's Tipo 4, and in new models due from both Lancia and Alfa within two or three years.

But the increasing emphasis on co-operation to achieve economies of scale has extended to alliances going beyond frontiers. Fiat and Peugeot are working togther on a new family of small to medium engines, to be produced at separate plants in France and Italy, while other significant ventures involve Fiat itself, Lancia, and Iveco, Fiat's heavy vehicle subsidiary.

Last but not least, Fiat and Alfa should become the first beneficiales of official subsidises, worth in all L900bn ($601m), long promised under a L1,500bi fund established to help high technology companies with research and innovation.

Bureaucratic problems have held up implementation of the scheme and many even now suspect that political motives, ahead of the June 1983 elections, were behind the decision. Whatever the truth, the disbursement is concerte proof that the Governmentis putting its weight behind the more promising parts of Italian industry, something which can only be to the latter's advantage.

Home market grows but exports remain modest

DIESELS

IAN RODGER

ITALY CONSOLIDATED its position last year as Europe's second largest producer of diesel engines after West Germany.

Total production jumped 14 per cent to 624,000 units, almost entirely because of a big increase in the use of diesel engines in new cars and trucks.

The number of diesels going into cars was up 54 per cent to 193,000 and the truck market for diesels was up 15 per cent to 91,000 units.

The largest single end market for diesels, agricultural tractors, was off 2 per cent to 220,000 units and most other traditional markets, such as generating sets, construction equipment and industrial equipment also weakened.

In the current year, the car and commercial vehicle markets are expected to continue to grow while other application areas have been weaker, notably because of very soft markets in Italy for agricultural and construction equipment.

However, Planning Research & Systems, the London consulting group, are forecasting an 8 per cent increase in total output to 674,000 units.

Italy is fortunate in having strong competitors in all the main sectors of the diesel engine industry.

The Fiat group leads the industry with over 50 per cent of total sales. Its diesel engine manufacturing operations are divided between those carried out by Fiat Auto for cars and light trucks, and those by Iveco for big commercial vehicles, and most other application areas.

Active

The other main Italian competitors in the broad centre of the market are Same, the tractor manufacturer, and VM, Stabilimenti Meccanici, which is the product of the 1970 absorption of Motori VM, a private company, by the Stabilimenti Meccanici subsidiary of the state owned Finmeccanica group.

Same is one of three European manufacturers of air-cooled diesel engines in the 30-170 hp range, the others being Deutz of West Germany and MTM of Spain. Almost all its output of 26,000 engines per year goes to its own tractors, but the group is becoming increasingly active on the loose engine markets.

Italy also has three manufacturers of very small, air-cooled diesel engines, including Lombardini, the world leader in this category with production last year of 140,000 engines. The other two are Ruggerini Motori and Slanzi. All three are family owned companies and all three are located in the Reggio Emilia area.

Italian manufacturers have a very strong position in their home market. Imports last year accounted for only 11 per cent of consumption. On the other hand, direct exports are still relatively modest, at only 15 per cent of output.

Increasingly, however, Italian producers are looking to export markets not only for growth but to make up for any weakness in the home market.

● Two years ago, VM, which until then had supplied engines mainly for construction equipment, introduced a series aimed specifically at high value cars. The two customers it has found for the new engine so far are Rover of Britain and Alfa Romeo.

Rover introduced a 2.4 litre version of the engine in its 2400 SD early this year. So far, it is apparently selling well in Italy, where diesel-powered cars are popular because of significantly lower taxes on diesel fuel than on petrol, but in Britain it has been a slow starter.

● Last year, Lombardini signed a joint venture agreement with Briggs and Stratton of the U.S. aimed at increasing its sales in that country. Briggs is the world's largest producer of small petrol engines. Lombardini had not been very successful attempting on its own to replace Briggs engines in many small pumps, generator sets and garden implements. It hopes that the joint venture will do better.

● Ruggerini made an exchange agreement last year with Mitsubishi Heavy Industries of Japan. Mitsubishi makes water-cooled small diesels, while Ruggerini's are air-cooled. The agreement provides for Ruggerini to make Mitsubishi engines in Italy and for Mitsubishi to make Ruggerini engines for sales in the Far East.

● Iveco set up a separate organisation last year to treat engine sales as a distinct business. This was because about three-quarters of all Iveco engines are sold to customers other than Iveco itself, and the group wanted to increase its presence in foreign markets.

Typically, about a quarter of Iveco's engines go to Fiatagri, the Fiat subsidiary that makes agricultural equipment. Another 3 to 4 per cent go to Fiat-Allis, the construction equipment manufacturer, and other Fiat subsidiaries.

The rest go to outside customers, including agricultural and construction equipment makers, coach builders, generating set assemblers, industrial equipment manufacturers and small- to medium-size boat builders.

Last year, Iveco made roughly 280,000 engines at its five factories. This represents about 80 per cent of the group's two-shift capacity. Its engines range from 2.5 litre models for light vans to 12-cylinder, 17 litre units for railway engines.

(Fiat Auto, the Fiat car division, manufactures diesels derived from petrol engines up to 2 litres.)

It is not clear to what extent Fiat subsidiaries are obliged to buy Iveco engines rather than those of competitors. Iveco has taken over from Caterpillar Tractor the supply of engines to Hesston, the U.S. hay baler manufacturer acquired recently. But Magirus trucks still run with Deutz engines a year and a half after Fiat bought out Klockner Humboldt Deutz's minority interest in the truck maker. Also, some Fiat-Allis machines use Cummins engines, although these are in bigger sizes than those made by Iveco.

Mr Mario Locatelli, manager of Iveco's diesel division, says the group will sell Magirus trucks with Deutz engines "as long as the market wants it."

Mr Locatelli says Iveco's goal is nothing less than to become, like Perkins Engines of Britain, an independent manufacturer known throughout the world for high quality engines with strong service support.

It is also looking carefully for opportunities to take over the supplying of engines to other commercial vehicles mantnrers.

"In order to survive in this business, you have to be able to invest $100m a year in new plant and engines. If you are a truck manufacturer making only 10,000 engines a year, you won't be able to do that," he says.

"Sooner or later, someone will force the pace in engine innovation, and the others will have to follow or withdraw."

One recent international deal with Industrial Development and Procurement of Detroit means Iveco will supply IDP with some 20,000 engines a year, starting next year.